



ANNUAL REPORT
2019-2020

THINKING
AHEAD,
ACTING
NOW





With a clear vision, mission and customer based corporate values, Citizens Bank International Limited has always believed in delivering excellent financial services to its customers. The Bank has consistently pledged its extensive care on providing returns to the faithful stakeholders, who have endlessly put their absolute trust in the Bank, that has persuaded the Bank to prosper on all the aspects of its services. And now, the Bank is committed, more than ever, to stand strong and relentless in overcoming the challenges, to disseminate the finest services to all its valued Citizens at all times. It is the time to "Think Ahead, Act Now".

ABOUT THE REPORT

The Bank is proud to present an Integrated Annual Report for the third consecutive year, prepared in accordance with International Integrated Reporting Framework of 2013, issued by the International Integrated Reporting Council (IIRC).

The aim of our integrated reporting is to present our performance against the key capitals we manage, in order to enable our stakeholders, including investors to make a fair assessment of our efforts for the recently concluded financial year. The report presents key aspects of our value creation process which are the different forms of capital that provides the input, business domains and the value creating activities that result outputs, outcomes and impacts and create the required sustainable value for our stakeholders. The Bank takes a long term outlook of its business actions for the betterment of its investors, customers, employees, suppliers and also the economy, society and the environment.

This report is primarily for providers of financial capital and will be of interest to other stakeholders as it summarizes information on all material issues impacting our performance.

SCOPE AND BOUNDARY

Our integrated report covers the period from July 17, 2019 to July 15, 2020 (Shrawan 1, 2076 to Ashadh 31, 2077) and reflects operations carried out by the Bank within the geographical boundaries of Nepal during the year.

In presenting our operation and financial performance, we have extracted financial information from the Audited Financial Statements for the financial year ended 2020 with relevant comparative information. The financial statements consistently comply with the requirements of:

- Nepal Accounting Standards (NAS) and Nepal Financial Reporting Standards (NFRS)
- Nepal Rastra Bank Act, 2002 and the rules, regulations and directives issued by the central bank
- Bank and Financial Institutions Act (BAFIA), 2017
- Companies Act, 2006
- Securities Act, 2006
- Income Tax Act, 2002
- And other applicable laws and regulations.

This report contains financial as well as non-financial performance indicators defined in terms of strategies, objectives, risk metrics and actual outcomes that are material to understand the Bank's business and its approach holistically.

HOW WE CREATE VALUE

Our philosophy is to give the best in what we do and retain the trust along with loyalty of the people. As a financier, we provide the capital required by the customers in pursuance of their lifestyles, to the entrepreneurs for the investment in key industries. As an employer we have the commitment in developing careers, creating the opportunities for knowledge enhancement, development of capacity and competency of the employees. We have uplifted the less privileged through our corporate philanthropy and corporate social responsibility initiatives. Our financial strength reflected from our strong capital base supported with the sound corporate governance whereas risk management frameworks guarantees the investment returns to our depositors and safeguards their investments even in challenging times for the industry.

In creating value to our stakeholders, we adopt a unique business model for enhancing six capitals measures which we manage and co-ordinate business operation to its well defined corporate strategy over the short, medium and long term. In managing risk and potential negative outcomes, we adhere to effective governance and risk management frameworks that encompass high level risk management techniques along with a strong control environment supported by sound corporate policy, procedures and practices, and continuous assurance and review, best suited for the finance industry. We remain a socially responsible enterprise that is receptive to the needs of society and protective of the environment.

ASSURANCE

This report contains Financial Report of the Bank and its subsidiaries duly certified by M/s KK Budhathoki & Associates, Chartered Accountants for the period July 17, 2019 to July 15, 2020 (Shrawan 1, 2076 to Ashadh 31, 2077).

APPROVAL

The Financial Report has been duly approved by the Board of Directors and the Central Bank for publication. This integrated report has been prepared and presented as an initiation of good corporate governance practice by the management of the Bank.

FORWARD LOOKING STATEMENTS

This report contains forward looking statements of the Bank, as disclosed in Mission, Vision, Objectives and Board of Directors Report, that are not exhaustive and may vary from actual performances depending upon changing external environment in which the Bank operates.

STATEMENT BY THE MANAGEMENT

The Management acknowledges its responsibility to ensure the integrity of this Integrated Report, which in the Management's opinion addresses all material issues and presents fairly the integrated performance of Citizens Bank International Limited.

GANESH RAJ POKHAREL
Chief Executive Officer

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CITIZENS BANK AT A GLANCE

FINANCIAL HIGHLIGHTS



PROFIT AFTER TAX

NPR 1,198,504,659

PROFIT BEFORE TAX

NPR 1,668,737,195

OPERATING INCOME

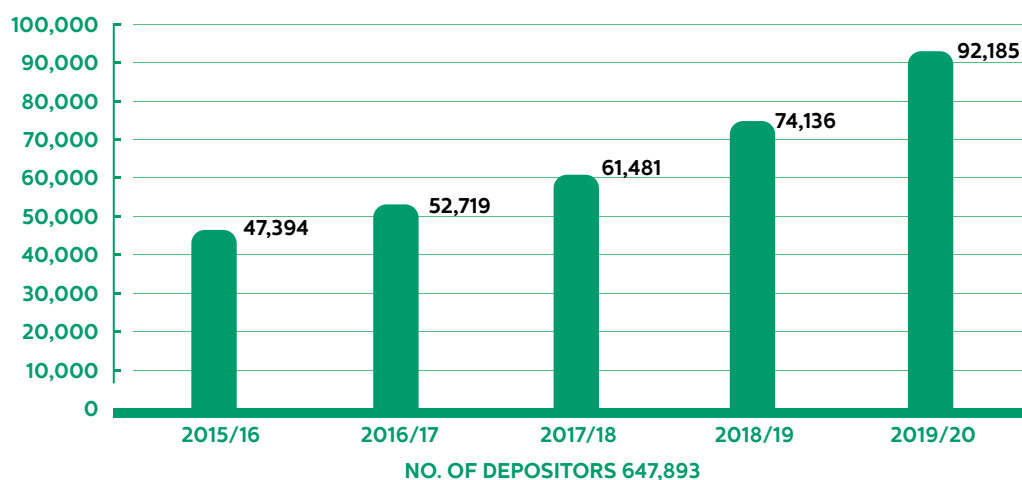
NPR 3,790,676,430

TOTAL ASSETS

NPR 110,550,682,722

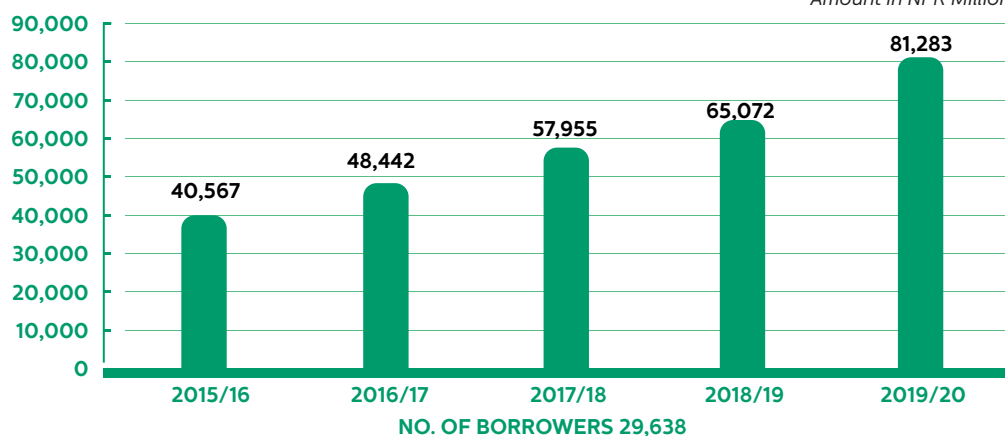
DEPOSIT

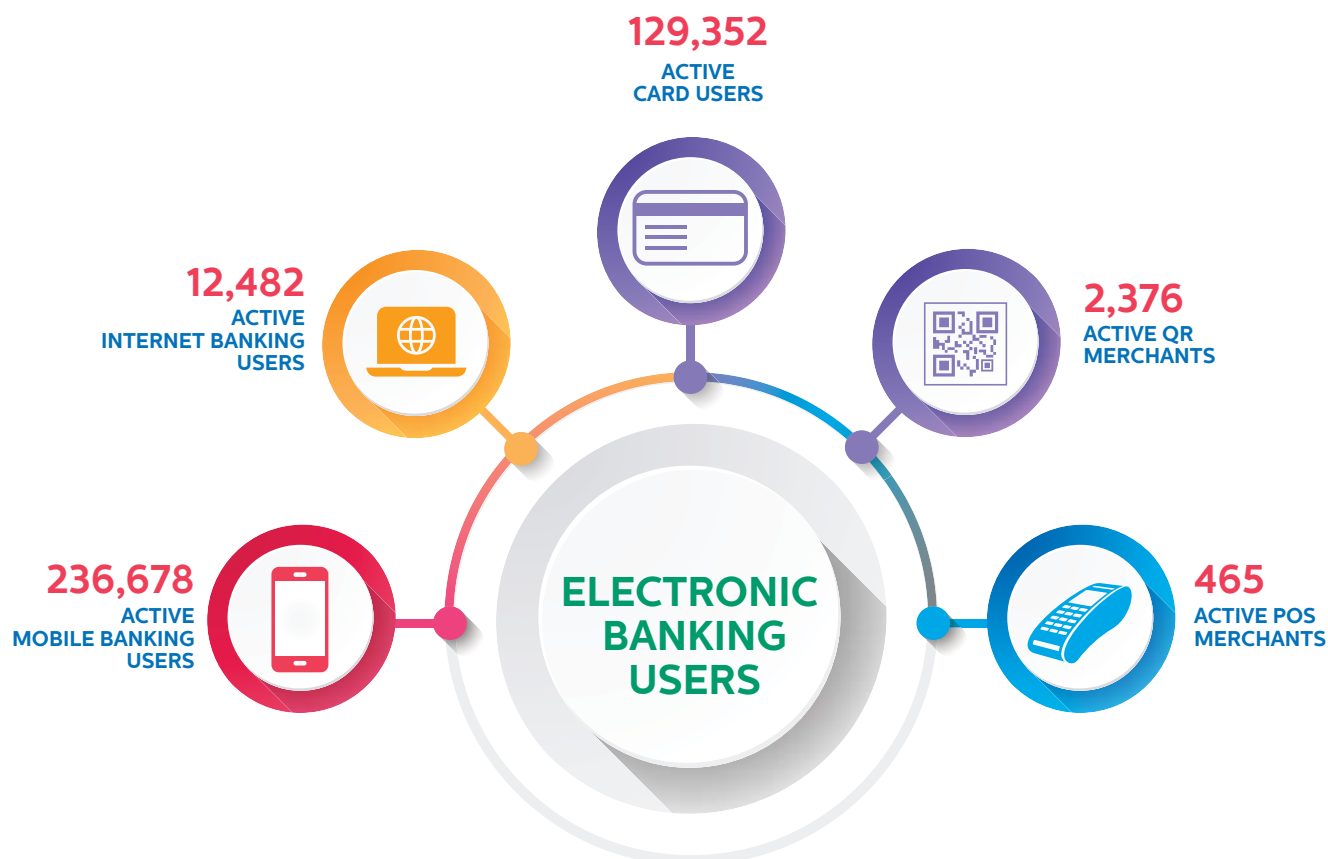
Amount in NPR Million



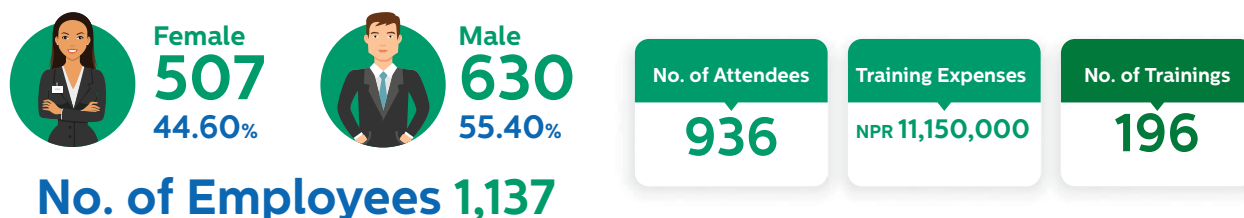
LOAN

Amount in NPR Million





EMPLOYEE STRENGTH, TRAINING AND DEVELOPMENTS



KEY RATIOS AND OTHER INFORMATION

PROFITABILITY/ DIVIDENDS/ PERFORMANCE AND LIQUIDITY RATIOS

PARTICULARS	GROUP			BANK		
	FY 2019/20	FY 2018/19	CHANGE %	FY 2019/20	FY 2018/19	CHANGE %
Net Interest Income Ratio (%)	2.90	3.22	-9.93	2.88	3.20	-10
Profit Before Tax (NPR)	1,709,057,034	2,219,666,714	-23.00	1,668,737,195	2,177,613,836	-23.37
PE Ratio (times)	-	-	-	13.55	12.81	5.77
Capital Adequacy Ratio (%)				15.14	14.37	5.36
Return on Capital Employed (%)	9.06	12.02	-24.62	8.93	11.71	-23.72
Debt Equity Ratio (times)				0.26	0.16	62.50

BUSINESS RATIOS/ INFORMATION

PARTICULARS	GROUP			BANK		
	FY 2019/20	FY 2018/19	CHANGE %	FY 2019/20	FY 2018/19	CHANGE %
Statutory Liquidity Ratio (%)				19.30	20.62	-6.40
Return on Average Assets (%)	1.22	1.79	-31.84	1.19	1.74	-31.61
Cost to Operating Income Ratio (%)	43.22	43.10	0.27	43.57	43.90	-0.75
Net Asset Value per Share (NPR)	149.07	150.48	-0.93	147.61	149.26	-0.66
Profit per Employee (NPR)	1,125,781	1,574,875	-28.51	1,098,538	1,503,822	-26.95
CRR (%)				4.22	4.16	1.44
Dividend Cover Ratio (times)	-	-	-	1.26	1.16	8.62
Non Performing Loan to Total Loan (%)	-	-	-	1.19	1.13	5.31

DETAIL OF CREDIT CONCENTRATION

PRODUCT WISE

PRODUCT	AMOUNT IN NPR MILLION	PERCENTAGE
Term Loan	21,674	26.66%
Overdraft	13,905	17.11%
Trust Receipt Loan/ Import Loan	2,541	3.13%
Demand & Other Working Capital Loan	12,184	14.99%
Home Loan	5,947	7.32%
Real Estate Loan	5,199	6.40%
Margin Loan	3,039	3.74%
Hire Purchase Loan	5,759	7.08%
Deprived Sector Loan	4,315	5.31%
Bills Purchased	26	0.03%
Others	6,696	8.24%
TOTAL	81,283	100.00%

SECTOR/ INDUSTRY WISE

SECTOR/ INDUSTRY	AMOUNT IN NPR MILLION	PERCENTAGE
Agricultural & Forest Related	3,533	4.35%
Fishery	91	0.11%
Mining	579	0.71%
Agriculture, Forestry & Beverage Production Related	3,801	4.68%
Non Food Production Related	11,252	13.84%
Construction	4,348	5.35%
Power, Gas, Water	5,839	7.18%
Metal Products, Machinery & Electronic Equipment & Assemblage	231	0.28%

Transport, Communication and Public Utilities	2,126	2.62%
Wholesaler & Retailer	12,878	15.84%
Finance, Insurance & Real Estate	4,619	5.68%
Hotel or Restaurant	1,453	1.79%
Other Services	4,678	5.76%
Consumption Loans	4,972	6.12%
Local Government	0	0.00%
Others	20,882	25.69%
TOTAL	81,283	100.00%

DISCLOSURE OF NON PERFORMING ASSETS

MOVEMENT IN NON PERFORMING ASSETS

Amount in NPR

PARTICULARS	PREVIOUS YEAR	CURRENT YEAR	CHANGE %
Rescheduled/ Restructured	-	-	-
Sub Standard	84,497,708	63,137,483	-25.28%
Doubtful	87,456,011	487,130,008	457.00%
Loss	561,117,551	710,394,405	26.60%
TOTAL	733,071,270	1,260,661,896	71.97%

MOVEMENT OF PROVISION MADE AGAINST NON PERFORMING ASSETS

Amount in NPR

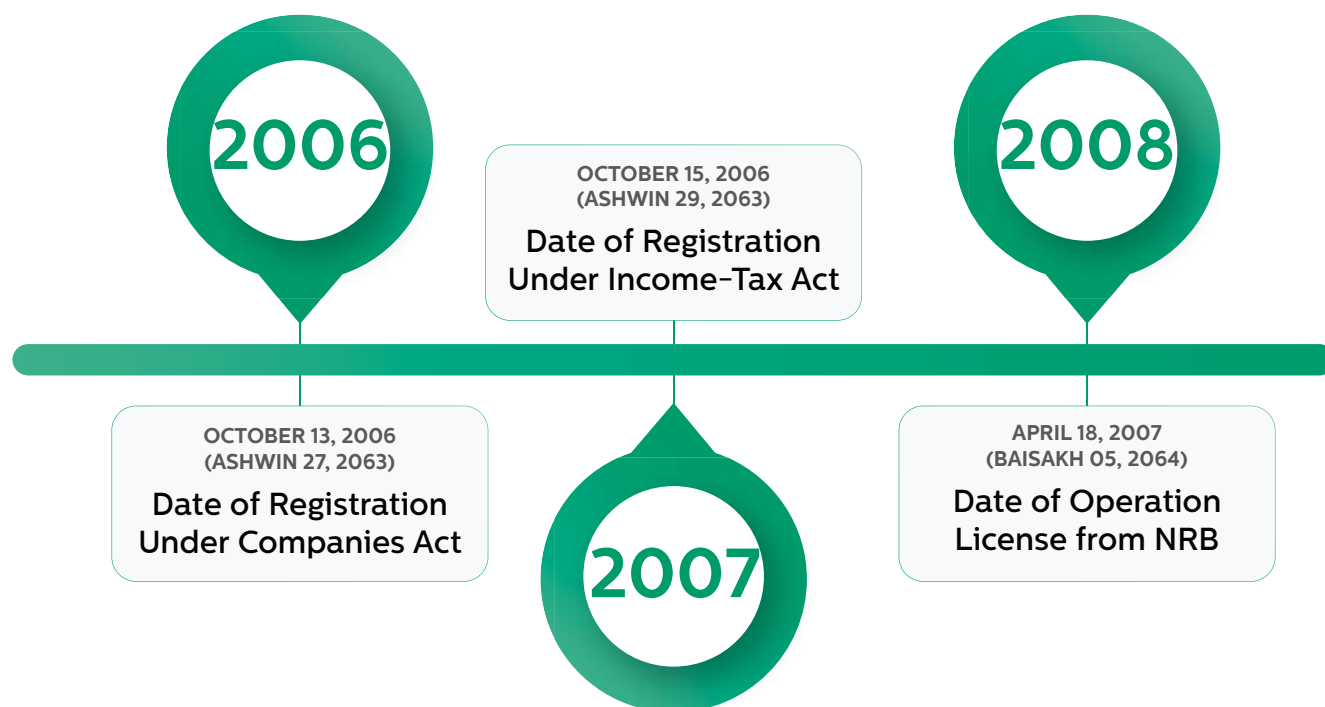
PARTICULARS	PREVIOUS YEAR	CURRENT YEAR	ADDITIONAL PROVISION IN CURRENT YEAR	CHANGE %
Pass Loan	618,342,565	709,155,800	90,813,235	14.69%
Watchlist	64,538,109	376,994,012	312,455,903	484.14%
Rescheduled/ Restructured	-	-	-	-
Sub Standard	19,540,618	11,940,752	(7,599,866)	-38.89%
Doubtful	43,215,576	240,792,138	197,576,562	457.19%
Loss	560,367,551	710,001,247	149,633,696	26.70%
Additional	-	-	-	-
TOTAL	1,306,004,418	2,048,883,949	742,879,531	56.88%

BANK'S PROFILE

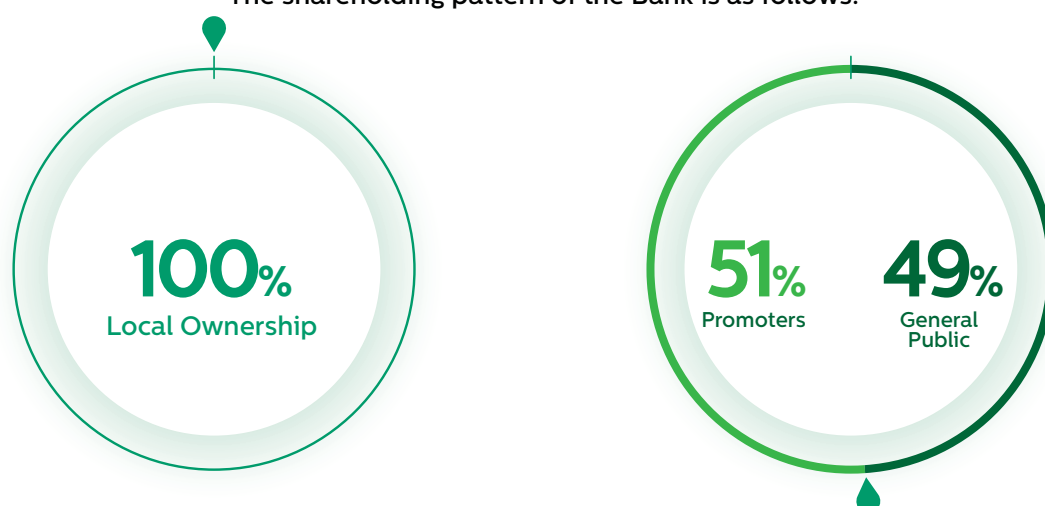
Established on April 20, 2007 (Baisakh 07, 2064) as a 20th Commercial bank of the nation, "Citizens Bank International Limited", has its corporate office at the heart of the financial sector of the country, Narayanhiti Path, Kathmandu. It is promoted by eminent personalities, business and industrial houses and reputed individuals having high social standing and has been managed by a team of experienced bankers and professionals.

The Bank has been headed by 7 Board of Directors, led by non executive Chairman Mr. Rajan Singh Bhandari and the management team led by Mr. Ganesh Raj Pokharel as Chief Executive Officer. The Bank has employed 1137 staffs including 1091 permanent staffs and 46 staffs on a contract basis working with various Departments and Branches across the country.

The Bank's milestone dates are as follows:



The shareholding pattern of the Bank is as follows:



OWNERSHIP STRUCTURE

Foreign ownership: NIL || Local ownership: 100%

Local Ownership:
General Public: 49.00% || Promoters: 51.00%

VISION, MISSION & OBJECTIVES



CORPORATE PROFILE

Massive changes and developments have taken place during the past two decades in the financial sector. Amidst all these changes, for economic growth and development of new Nepal, Liberalization, Privatization and Globalization in this sector has given birth to “Citizens Bank International Limited”, one of the leading commercial bank. The Bank is located at Narayanhiti Path, Kathmandu. It is promoted by eminent personalities/ business and industrial houses and reputed individuals having high social standing. It is managed by a team of experienced bankers and professionals.



VISION

To be the leading bank known for its service excellence in the region.



MISSION

To be a trustworthy partner for the progress of individuals and institutions by designing, producing and delivering the best financial solutions.

The Bank constantly strive to inculcate in its services five corporate values as follows:

• Customer Focus

The Bank is committed to meet the financial needs of its customers and exceed their expectations through innovative solutions.

• Service Excellence

The Bank promises to deliver customer-centered products and services par excellence.

• Human Resource

The Bank employs bright, honest, helpful and pleasant people. It nurtures and empowers them to achieve their full potential.

• Corporate Governance

The Bank believes in being accountable, conducting business ethically and maintaining transparency.

• Social Responsibility

The Bank is committed to taking social initiatives for the development of the nation.



OBJECTIVE OF THE BANK

The Bank's main objectives are as follows:

- To provide standard and reliable financial services to the general public, by protecting and promoting the rights and interests of the depositors and shareholders of the Bank.
- To bring about such financial resources, from internal and external sources, as may be required for the establishment, development, expansion and enhancement of capability and productivity of agriculture, industry, service, trade and other productive business which appears viable from business viewpoint, and thereby render support for bringing about dynamism in the development of industrial, trade and agricultural sectors of the country.
- To provide financial resources and services to establish, operate, develop, expand and promote manufacturing and employment-oriented business in rural and urban areas by properly mobilizing the available skills, labor and capital and thereby render support for poverty alleviation.
- To provide financial intermediary service through institutional investment by integrating the capital scattered in the country.
- To be responsive to the needs of the society and taking responsibility to meet the due concerns of the society through CSR.

CORE VALUES AND CODE OF CONDUCT

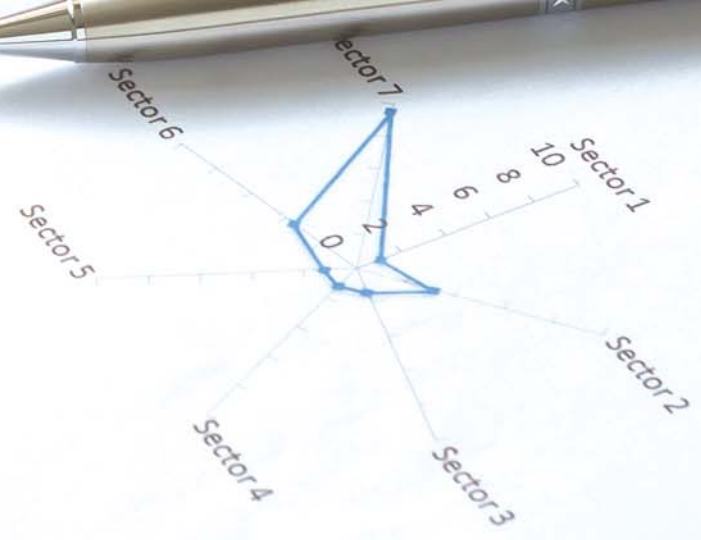
The Bank acknowledges that proper code of conduct and corporate values are the sources stirring the Bank's overall development.

The Bank is committed to meet the financial needs of the customers through innovative solutions, deliver customer-centered products and services par excellence. Board of Directors (BOD) and management believe that high standard of employees and corporate governance sets us apart from rest of the banks and believes in being accountable, conducting business ethically, maintaining transparency and are committed to taking social initiatives for the development of the nation.

The Bank operates in accordance with the highest standards in all relationships with customers, stakeholders, environment and the community. The Bank fosters climates which encourage innovation and diligence amongst staff and reward them accordingly.

The dedication, enthusiasm, commitment and collaborative spirit of the BOD members, promoters, and management team have already been reflected in the financial results of the Bank.

The Bank knows the world is changing and to keep pace with that, it customizes the services and re-engineers the products to match with changing time and technology. The Bank is always focused towards customers and stakeholders needs and their satisfaction. The Bank exercises duty with utmost care in the interest of the depositors and maintains a long-term ethical relationship through true and fair dealings. The Bank is knowledge-driven; it learns and shares learning to meet the objectives and to contribute to the community. The Bank goes beyond just making profit and is highly dedicated towards the achievement of the long-term vision. The Bank is committed to complying with the spirit and all laws and regulations, adhering to the highest standards of corporate governance, transparency, disclosure and ethical conduct.



The Bank follows four fold of applying its core values as follows:

CORE VALUES



DOING THE RIGHT THING

- Act with integrity
- Think like an owner to create long-term shareholder value
- Value and reward honesty, collegiality and character



PUTTING CLIENTS FIRST

- Always keep the client's interest first
- Work with colleagues to deliver the best of the Bank to every client
- Listen to what the client is saying and their needs



DOING THE RIGHT THING

- Showing consistent and uncompromising adherence to sound moral and ethical principle and values
- Taking the appropriate steps in order to achieve the required objective
- Thinking like owner to create long term shareholder value
- Value and reward honesty, collegiality and character



LEADING EXCEPTIONAL IDEAS

- Scenario based short term and long term strategy by considering new ideas and innovations
- Be observant and preparedness about what we can do better



VALUE CUSTOMER FIRST

- Placing customer ahead for quality of service and for their retention
- Oriented towards serving the client's needs and measure customer satisfaction levels in order to determine the success of their business



RETURN TO: - SHAREHOLDER - SOCIETY

- Increase in organization's as well as shareholder's value by increment in market value of shares and the magnitude of amount of dividend paid
- Committed for being publicly accountable for their significant positive and negative social, environmental and economic impacts



LEADING WITH EXCEPTIONAL IDEAS

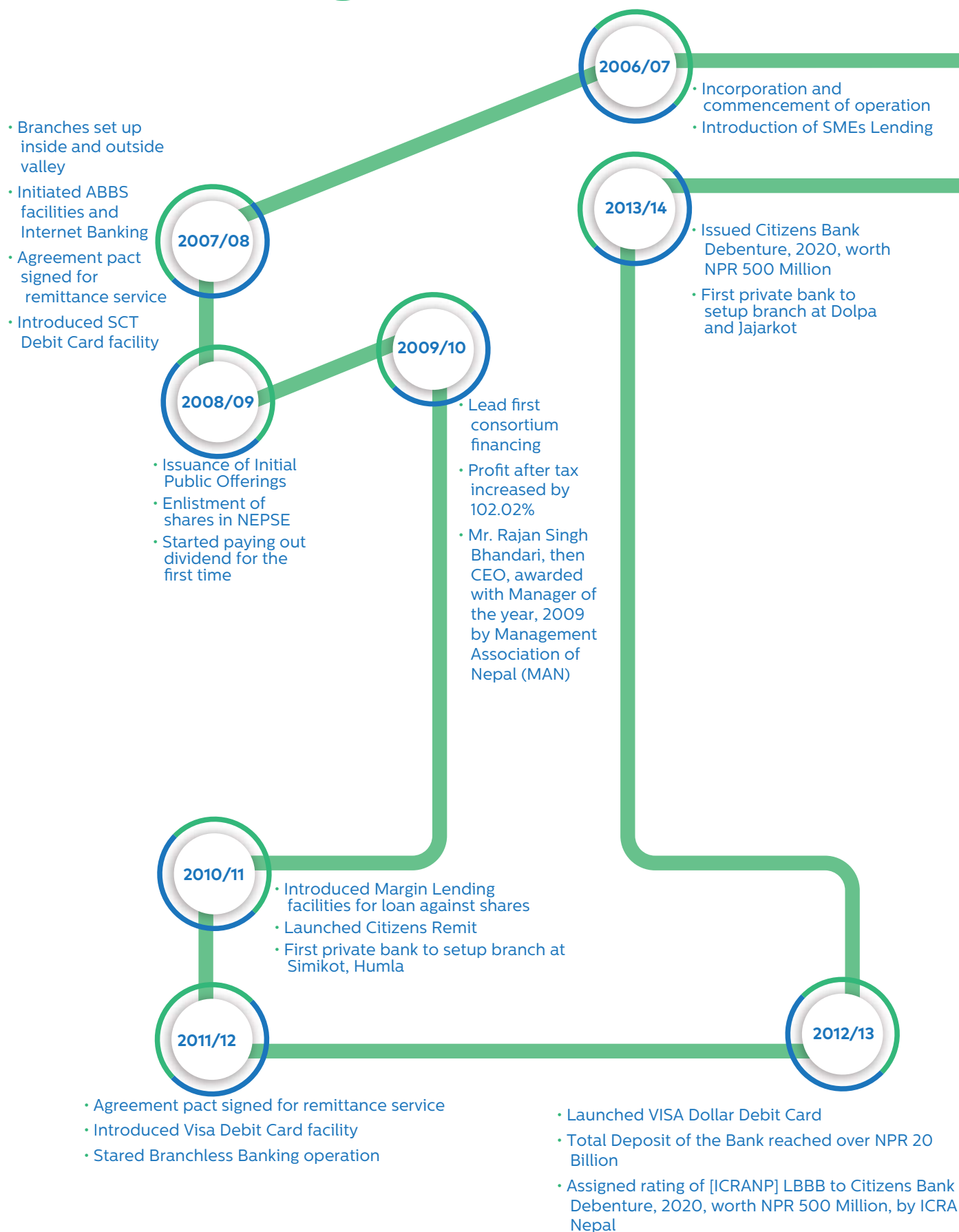
- Win by breaking new ground
- Let the facts and different points of view broaden your perspective
- Be vigilant about what we can do better

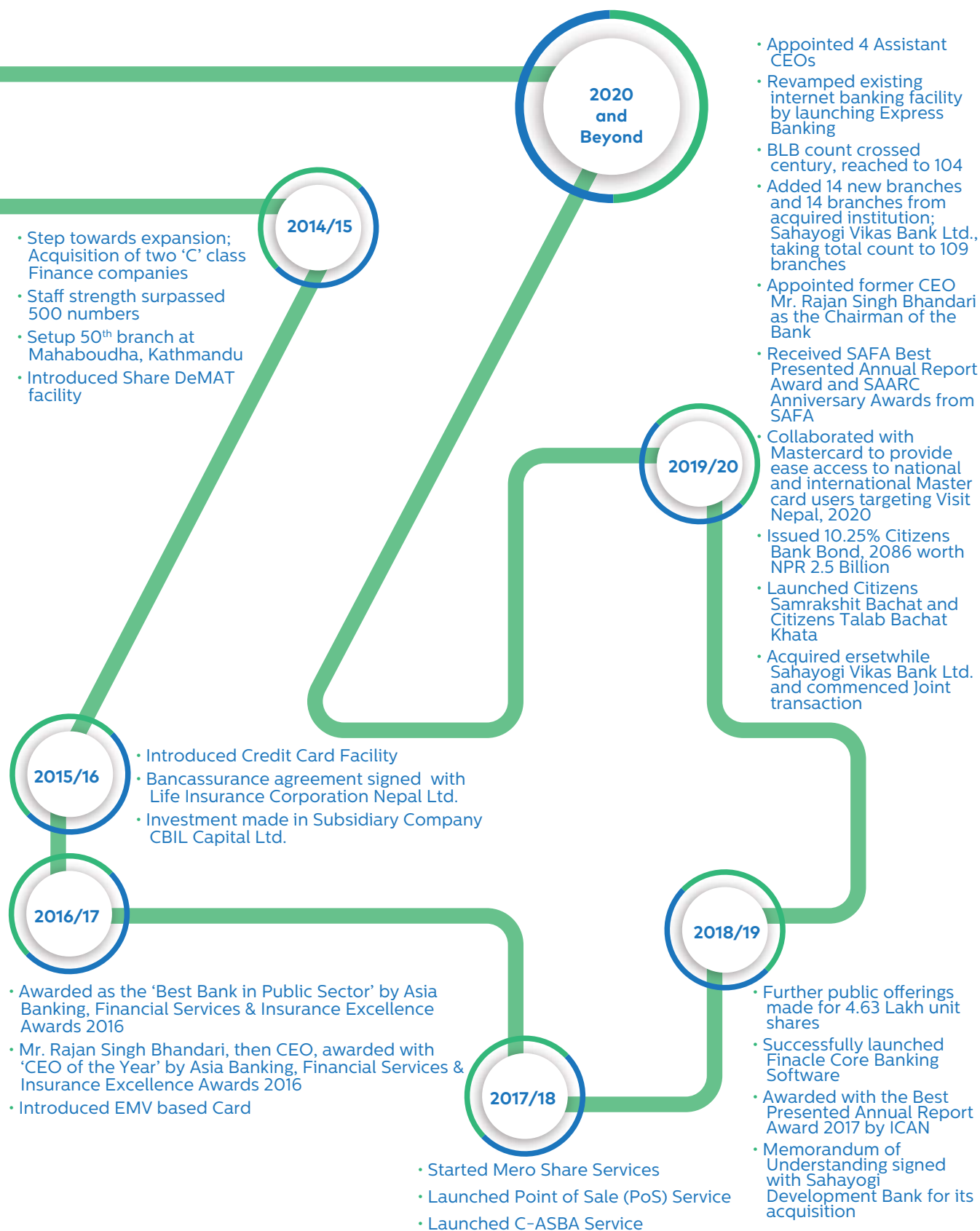


GIVING BACK

- Be generous with your expertise, your time and money
- Invest in the future of our communities and our Firm
- Mentor our next generation

CITIZENS BANK'S JOURNEY





FINANCIAL HIGHLIGHTS OF FY 2019/20

PARTICULAR	INDICATORS	2019/20	2018/19	CHANGE (%)
OPERATING RESULTS				
Net Fee and Commission Income	NPR Million	524.48	506.31	3.59%
Net Interest Income	NPR Million	2,884.75	2,688.46	7.30%
Other Operating Income	NPR Million	100.10	30.47	228.58%
Profit Before Taxation (PBT)	NPR Million	1,668.74	2,177.61	-23.37%
Profit After Taxation (PAT)	NPR Million	1,198.50	1,463.22	-18.09%
FINANCIAL POSITION				
Loans and Advances to Customer	NPR Million	78,976.40	62,911.97	25.53%
Loans and Advances to B/FIs	NPR Million	1,534.10	1,581.90	-3.02%
Deposits from Customers	NPR Million	88,496.23	70,509.08	25.51%
Due to Bank and Financial Institutions	NPR Million	3,688.90	3,926.66	-6.05%
Total Equity	NPR Million	13,417.72	12,494.63	7.39%
SHARE INFORMATION				
Market Price per Share	NPR	188	224	-16.07%
Earning per Share (EPS)	NPR	13.88	17.49	-20.67%
Book Net Worth per Share	NPR	147.61	149.26	-1.10%
Earnings Yield	Percent	7.38	6.70	10.15%
Dividend Yield	Percent	5.85	7.81	-25.10%
Dividend Payout Ratio	Percent	0.79	0.86	-8.14%
Dividend (Including bonus) on Share Capital	Percent	11	15	-26.67%
Cash Dividend on Share Capital	Percent	3	12	-75.00%
Total Assets to Shareholder's Fund	Times	8.24	7.21	14.29%
Shareholder's Fund to Total Liability including Contingent Liability	Percent	7.97%	15.34	-99.48%
STATUTORY RATIOS				
Adequacy of Capital Fund on Risk Weighted Assets	Percent	15.14	14.37	5.36%
Core Capital	Percent	11.85	13.46	-11.96%
Supplementary Capital	Percent	3.29	0.91	261.54%
Price Earning Ratio	Times	13.55	12.81	5.77%
CCD Ratio as per NRB Directives	Percent	70.63	76.79	-8.02%
OTHER RATIOS				
Return on Assets (ROA)	Percent	1.08	1.62	-33.34%
Return on Equity (ROE)	Percent	8.93	11.71	-23.74%
Cost to Operating Ratio	Percent	45.69	43.90	-4.08%
Non-Performing Loan/ Total Loans (As per NRB Directive)	Percent	1.19	1.13	5.31%
Weighted Average Interest Rate Spread (As per NRB Directive)	Percent	4.03	3.15	27.94%

NON FINANCIAL HIGHLIGHTS OF FY 2019/20

PARTICULAR	INDICATORS	2019/20	2018/19
INTELLECTUAL CAPITAL			
Credit Rating	ICRA Rating	[ICRANP] LBBB+	[ICRANP] LBBB+
MANUFACTURED CAPITAL			
Total Branches	Number	109	81
No. of ATMs	Number	99	78
Investment in Property, Plant and Equipment	NPR Million	2,629.37	2,396.20
HUMAN CAPITAL			
Total No. of employees	Number	1091	955
Employees Hired	Number	323	272
Training Programs carried out	Number	196	264
Investment in Training and Development Programs	NPR Million	11.15	15.98
Staff Remuneration and Benefits	NPR Million	935.25	900.24
Net Profit per Staff	NPR Million	1.10	1.50
Per Employee Staff Cost	NPR Million	0.86	0.92
SOCIAL AND RELATIONSHIP CAPITAL			
CSR Expense	NPR Million	18.86	7.22
Staff Volunteered hours	Hours	368	Over 1,000

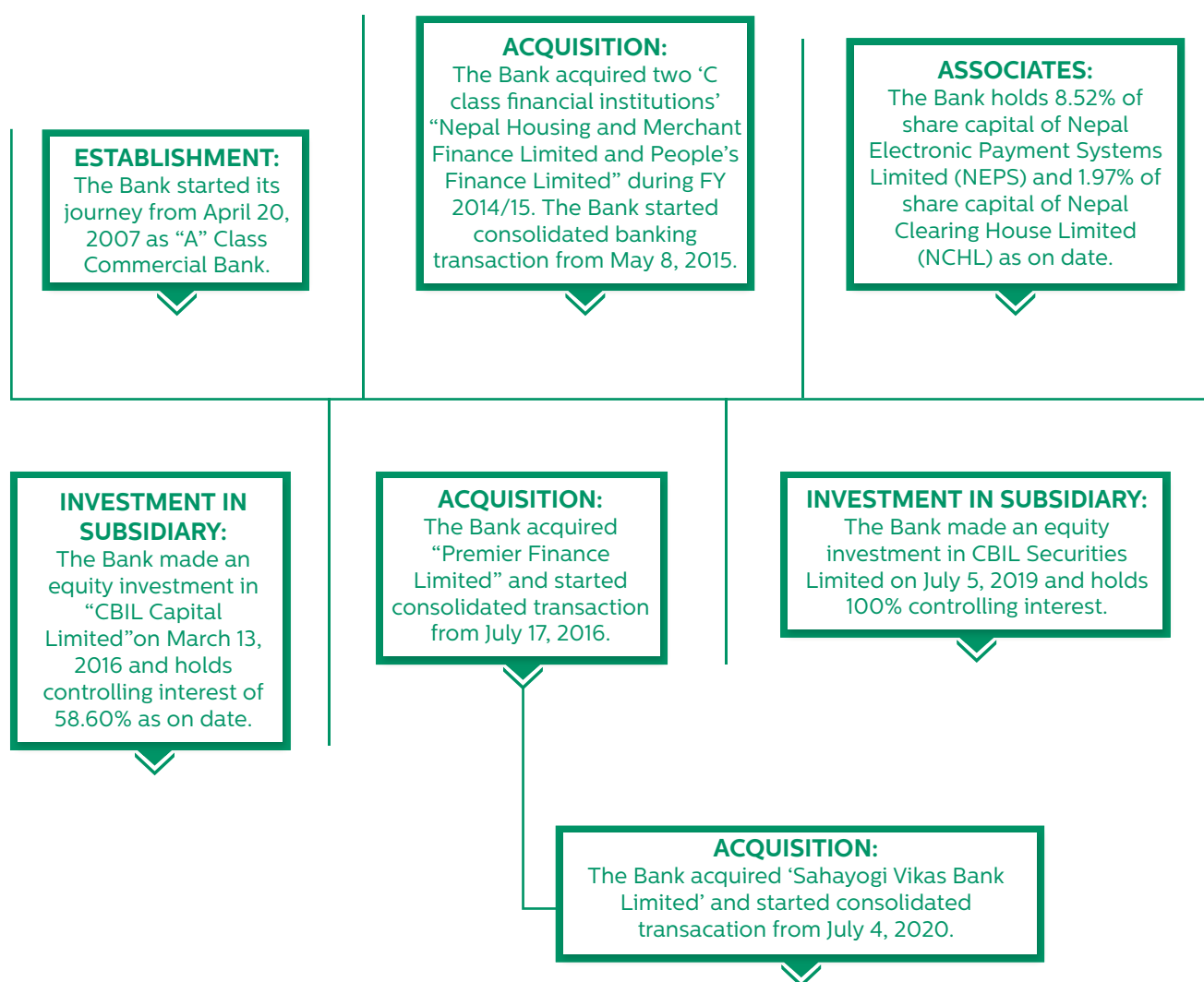
PARTNERSHIP FOR THE GOALS

Overview

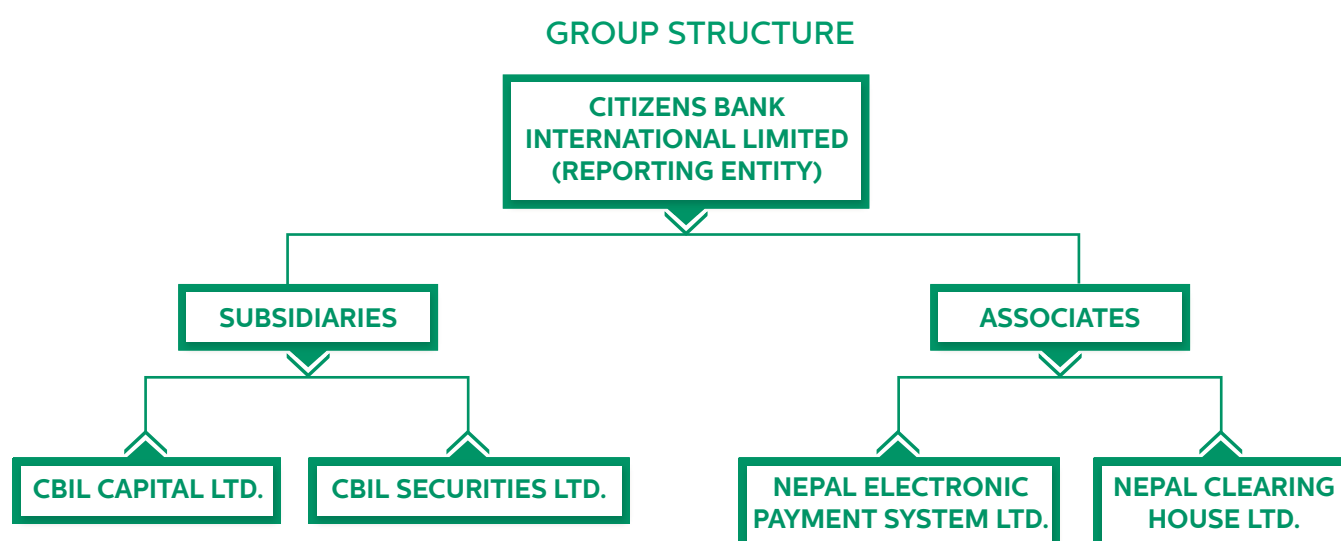
Citizens Bank International Limited is a public company incorporated under the Companies Act, 2006 and licensed by Nepal Rastra Bank to conduct Banking transaction as a “A” Class Commercial Bank under the Bank and Financial Institutions Act, 2017. The principal activities of the Bank is to provide all commercial retail banking services including agency services, trade finance services, e-commerce services and trading of gold and silver, etc. to its customers through head office, branches, branchless banking units and ATMs.

The Bank started its journey from April 20, 2007 as a 20th commercial bank of the nation. The Bank acquired two “C” class financial institutions, Nepal Housing and Merchant Finance Limited and People’s Finance Limited during the Fiscal Year 2014/15 and started consolidated Banking transaction from May 08, 2015. Similarly, the Bank has acquired “Premier Finance Limited” and started the consolidated transaction from July 17, 2016. Further, the Bank has acquired “Sahayogi Vikas Bank Limited” and started the consolidated transaction from July 04, 2020.

MULTIPLYING BY ADDING



GLANCE OF RELATED PARTIES



TRANSACTION WITH GROUP COMPANIES

SUBSIDIARIES

A) CBIL Capital Limited

CBIL Capital Limited was incorporated on January 30, 2006 and its principal activities are to provide merchant/ investment banking services that include management of public offerings, portfolio management, underwriting of securities and fund management of mutual fund schemes, depository participant's service under Central Depository Services (CDS) and administration and record keeping of securities of client. The Bank made an equity investment in CBIL Capital Limited on March 13, 2016 and as on date; the Bank holds 58.60% controlling interest in CBIL Capital Limited.

Activities/ Transaction with Subsidiary

- The Bank has entered into a Management Service Agreement (MSA) with Subsidiary for providing management services and provisions led in MSA are in line with arms-length principle.
- An agreement has been made between the Bank and the Subsidiary Company to provide the following facilities to the subsidiary company by the Bank for a monthly fee of NPR 600,000.
 - Bank has the right to appoint the Chief Executive Officer of CBIL Capital Ltd.
 - Bank provides technical assistance required for computer hardware, software and network maintenance.
 - Internal Audit team of the Bank will handle all audit work of its subsidiary and will submit quarterly report to its audit committee.
 - Bank has also mutually agreed to provide legal consultancy and vehicle facility to the subsidiary company.
 - Bank provides investment management services through the Bank's branch network.
- Bank has rented its building located in Dillibazar, Kathmandu to Subsidiary Company for a monthly rent of NPR 110,000 with 10% increment in every 2 years.
- CBIL Capital holds deposit accounts with the Bank which has a balance of NPR 103,591,509 as on July 15, 2020.

B) CBIL Securities Limited

CBIL Capital Limited was incorporated on June 30, 2019 and its principal activities are to provide brokerage services related to securities, margin trading, investment in securities, consultancy to its client and other related services. Citizens Bank made an equity investment in CBIL Capital Limited on July 05, 2019 and as on date Bank holds 100% controlling interest in CBIL Securities Limited.

Activities/ Transaction with Subsidiary

- Bank has nominated its Assistant Chief Executive Officer as the chairman and 3 senior level staffs as the directors of the subsidiary company.
- Bank has rented out its building located in Kupondole, Lalitpur to subsidiary company for a monthly rent of NPR 60,000 with 10% increment in every 2 years.
- CBIL Securities Limited holds deposit accounts with the Bank which has a balance of NPR 50,132,312 as on July 15, 2020.

ASSOCIATE**A) Nepal Electronic Payment System Limited (NEPS)**

NEPS is formulated as a consortium of seven national level commercial banks, with aim to pool the resources of these banks together and establish a common platform, which will be more secure, reliable and able to encompass the rapid growth of new technologies in electronic payments.

Mr. Sanjeeb Kumar Shrestha, executive management team member of the Bank is also the Board Member in NEPS. As on date Bank holds 8.52% of total capital of NEPS.

The Bank has entered in agreement with NEPS for availing services related to debit cards and credit cards, for which, the Bank makes the payment at an arm's length price.

B) Nepal Clearing House Limited (NCHL)

NCHL is public limited company established on December 23, 2008 under leadership and guidance of Nepal Rastra Bank (The Central Bank of Nepal). It has the equity participation from Nepal Rastra Bank, commercial banks, development banks, finance companies and Smart Choice Technologies (SCT), private card switch operator.

Ms. Umang Sharma, executive management team member of Bank is also the Board Member in NCHL. As on date Bank holds 1.97% of total capital of NEPS.

The Bank has entered in agreement with NCHL for availing services related to Electronic Cheque Clearing (ECC) and Interbank Payment System (IPS), for which, Bank makes the payment at an arm's length price.

KEY MANAGEMENT PERSONNEL (KMP)

The Key Management Personnel (KMP) are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. The Key Management of the Bank includes members of its Board of Directors, Chief Executive Officer and other higher-level employee of the Bank.

Please refer Note No 5.7 of Financial Statements in Pg. 221 for detail of Related Parties.

PRODUCT AND SERVICES

DEPOSIT SCHEMES

A. SAVING DEPOSITS

1. Citizens Savings Account
2. Citizens Rastra Sewak Savings Accounts
3. Citizens Bidhyarthi Bachat Khata
4. Citizens Mahila Bachat Khata
5. Citizens Muna Bachat Khata (Only for Minors)
6. Citizens Matribhumi Bachat Khata
7. Citizens Senior Citizens Savings Account
8. Citizens Special Savings Account
9. Citizens Super Savings Account
10. Citizens Sharedhani Bachat Khata
11. Citizens Special Super Savings Account
12. Citizens Mofashal Bachat Khata
13. Citizens Enterprise Fund Account
14. Citizens G2P Savings Khata
15. Citizens Branchless Bachat Khata
16. Citizens Ghar Dailo Savings Account
17. Citizens Dasak Savings Account
18. Citizens Golden Savings Account
19. Mero Citizens Bachat Khata
20. Citizens Bisesh Bachat Khata
21. Citizens Saral Bachat Khata
22. Citizens Recurring Deposit (NPR)
23. Citizens Savings Account (FCY)
24. Citizens Smart Bachat Khata
25. Citizens Talab Bachat Khata
26. Citizens Samrakshit Bachat Khata

B. CALL DEPOSITS

1. Citizens Call Deposit Account (NPR)
2. Citizens Call Deposit Account (FCY)

C. FIXED DEPOSITS

1. Citizens Fixed Deposit (NPR) Individual
2. Citizens Fixed Deposit (NPR) Institutional
3. Citizens Overseas FCY Fixed Deposit
4. Citizens Extra Fixed Deposit



DESCRIPTION OF SOME OF DEPOSIT PRODUCTS ARE BELOW:

1. Citizens Matribhumi Bachat Khata

With the purpose of providing deposit facilities to the Nepalese citizens residing in foreign countries, the Bank has especially designed deposit product named as Citizens Matribhumi Bachat Khata with an interest rate of 2.00% p.a. This product can also be enjoyed by those who are in the process of going abroad for foreign employment subject to presentation of a valid visa. There is no any amount fixed as minimum balance, while the Bank provides balance of NPR 100.

Features of the product:

- Online Account Opening Facility.
- Better exchange rate while remitting money through Citizens Remit.
- Free Internet Banking (First year only).
- Interest is calculated on Daily balance and credited quarterly.
- No restriction on the amount of withdrawals.

2. Citizens Bidhyarthi Bachat Khata

The saving habit of students helps them to reduce their financial burden in their higher study. Therefore the Bank offers this special saving scheme with interest rate of 2.00% p.a. for Nepalese students with minimum age of 18 years and maximum age of 50 years having a valid student's identity card to encourage students for saving habits to meet their financial needs in future. Minimum balance of NPR 100 is to be maintained by the customers at the time of opening the account.

Features of the product:

- Interest calculation on daily basis and payment at each quarter end.
- 50% discount on Internet Banking Facility.
- 25% discount on Travelers Cheque issuance.
- 25% discount on Draft issuance.
- Free Statements upon request.
- No fees on inward remittances.
- Facility of Citizens NPR Debit Card –Valid in Nepal as well as in India.

3. Citizens Golden Savings

The Bank offers Citizens Golden Savings product for the people of all age group to attract the deposits of customers for good rate of interest of 2.00% p.a. Minimum balance of NPR 500 is to be maintained by the customers at the time of opening the account.

Features of the product:

- Monthly interest payment.
- Free ABBS facility.
- Free Internet Banking (For first year only).
- Free Mobile Banking Facility (For first year only).
- Free DEMAT account (For first year only).
- Issuance of VISA debit card.
- 50% discount on Locker Fees.

4. Citizens Sharedhani Bachat Khata

The Bank offers Citizens Sharedhani Bachat Khata for its shareholders with attractive saving schemes which can be opened with a minimum balance of NPR 100 only. The scheme bears an interest rate of 2.00% p.a.

Features of the product:

- 25% discount on Locker Fees.
- Direct Dividend Credit Facility.
- 50% discount on Internet Banking.
- Interest calculated on daily balance and credited quarterly.
- No restriction on the amount of withdrawals.
- Facility of Citizens NPR Debit Card –Valid in Nepal as well as in India.
- Free statements and cheque book upon request.
- No charges on inward remittances (domestic as well as international).

5. Citizens Mahila Bachat Khata

The Bank offers “Citizens Mahila Bachat Khata” for Nepalese woman with age above 16 years, minimum balance of NPR 500 and interest rate of 2.00% p.a. The deposit account aims to empower women encouraging them to save and spend wisely to strengthen their economy.

Features of the product:

- 50% discount on Locker Fee.
- Free Internet Banking (First year only).
- Interest is calculated on Daily balance and credited quarterly.
- Facility of Citizens NPR Debit Card –Valid in Nepal as well as in India.

6. Citizens Muna Bachat Khata

With children learning to save and manage money whereas parents have a place to save for a child they care about, the Bank has designed Citizen Muna Bachat Khata for the minors (below age of 16 years) facilitated by their guardians to save for the child’s future. The product provides interest rate of 2.00% p.a with a minimum balance of NPR 100.

Features of the product:

- Premium rate in Fixed Deposit Scheme.
- Free Internet banking (First year only).
- Interest is calculated on Daily balance and credited quarterly.
- Facility of Citizens NPR Debit Card –Valid in Nepal as well as in India.

7. Citizens Senior Citizens Savings

The Bank has offered Citizens Senior Citizens Savings account for the senior citizens along with the interest rate of 2.00% p.a. This scheme is applicable for individuals of age group equal to or above 55 years.

Features of the product:

- Zero minimum balance.
- Free Internet Banking.
- 50% discount on locker facilities.
- Privilege Banking facilities.

8. Citizens Recurring Deposit

With the intention of encouraging people having minimum regular income, to save and earn; the Bank has offered Citizen Recurring Deposit product where the customers can deposit a fixed amount equal to NPR 500 or above every month into their deposit account and can get attractive interest rate of 7.00% p.a. The product is favorable for people of any age group.

Features of the product:

- Zero minimum balance.
- Loan facility up to 90% of the deposit amount.
- Interest is calculated on daily balances.
- Free Internet Banking (First year only).

9. Citizens Rastra Sewak Savings Account

The Bank launched Citizen Rastra Sewak Savings Account for the Nepalese citizens of all age groups primarily for the officials of Nepal Government, Private Sector, Semi Government Bodies and Government owned Corporations / Associations / Enterprises and their immediate family members along with the interest rate of 2.00% p.a.

Features of the product:

- Zero minimum balance.
- Account for employees of private as well as government offices.
- Free Internet Banking. (First year only).
- Free Statements upon request.
- Facility of Citizens NPR Debit Card –Valid in Nepal as well as in India.
- Interest Calculation on Daily Balance, payable quarterly at each Nepali Calendar quarterly end.

10. Citizens Saral Bachat Khata

We have launched ‘Citizens Saral Bachat khata’, a new savings deposit product, in view of the recently launched Government campaign with slogan “Kholau Bank Khata Abhiyan, 2076” as per Nepal Rastra Bank circular dated Chaitra 27, 2075 for opening bank accounts of all individual Nepali citizens. The main aim of the account is to establish banking habits of unbanked population focused mainly towards people of rural areas and encouraging them for saving habits. The scheme bears the interest rate of 2.00% p.a.

Features of the product:

- Minimum balance of NPR 100 will be offered by the Bank.
- Interest is calculated on daily balance, payable quarterly at each Nepali Calendar quarterly end.
- Issuance of Visa Debit Card.
- Free Mobile Banking Facility (*first year only).
- Free De-Mat Account.
- Free C-ASBA service.
- Internet banking facility.
- Activation of 3-D secure for e-com transaction.
- Issuance of Cheque book.
- Other services provided by the Bank.

11. Citizens Bishesh Bachat Khata

The Bank has launched the deposit product "Citizen Bishesh Bachat Khata" which is suitable for every individuals. It provides the customers with the facility of interest rate of 3.50% p.a. Minimum balance to open account will be NPR 100.

Features of the product:

- Interest Rate of 3.50% p.a. calculated on daily balance, payable quarterly at each Nepali Calendar quarter end.
- Free Issuance of Visa Debit Card (*first year only).
- Free Mobile Banking Facility (*first year only).
- Free De-Mat Account (*first year only).
- Free Internet banking facility (*first year only).
- Free activation of 3-D secure for e-com transaction.
- 50% discount on annual Locker Fees.
- 50% discount on balance certificate issuance charge.
- 50% discount on draft and swift issuance commission.
- Issuance of Cheque book.

Additional Facilities

This deposit product also facilitates the customer with the professional loan to the maximum limit of NPR 1,500,000 for the maximum period of 5 years with the revolving OD of NPR 500,000 in it. The customers are provided with this loan facility as per the Bank's approved product paper. This additional facility provided by the bank attracts the customer for saving under this product.

12. Citizens Branchless Bachat Khata

While the people living in rural areas are excluded from availing from banking services, the Bank has launched Citizens Branchless Bachat Khata with the aim of catering the financial needs of those people. The services are provided by an appointed agent of the bank which helps the Bank to evade the cost and hassle of opening branches in such remote areas. Interest rate of 2.00% p.a. is provided under this scheme.



13. Citizens Call Deposit Account

Call deposit account is a blend of current and savings account features with interest in addition. The Bank offers especially designed call deposit account to manage the idle surplus fund of customers. The scheme includes wide array of benefits of earning interest as well as facility of unlimited withdrawals and deposits. The rate of interest is negotiable (subject to NRB Directive).

14. Citizens Overseas FCY Fixed Deposit

To provide banking services to foreign investors and NRNs and attract FCY from them, the Bank has offered Citizens Overseas FCY Fixed deposit schemes at competitive interest rate. The fixed deposit amount can be fully utilized to provide the loan to customers. The interest rate under this scheme is different as per the nature of foreign currency.

Features of the product:

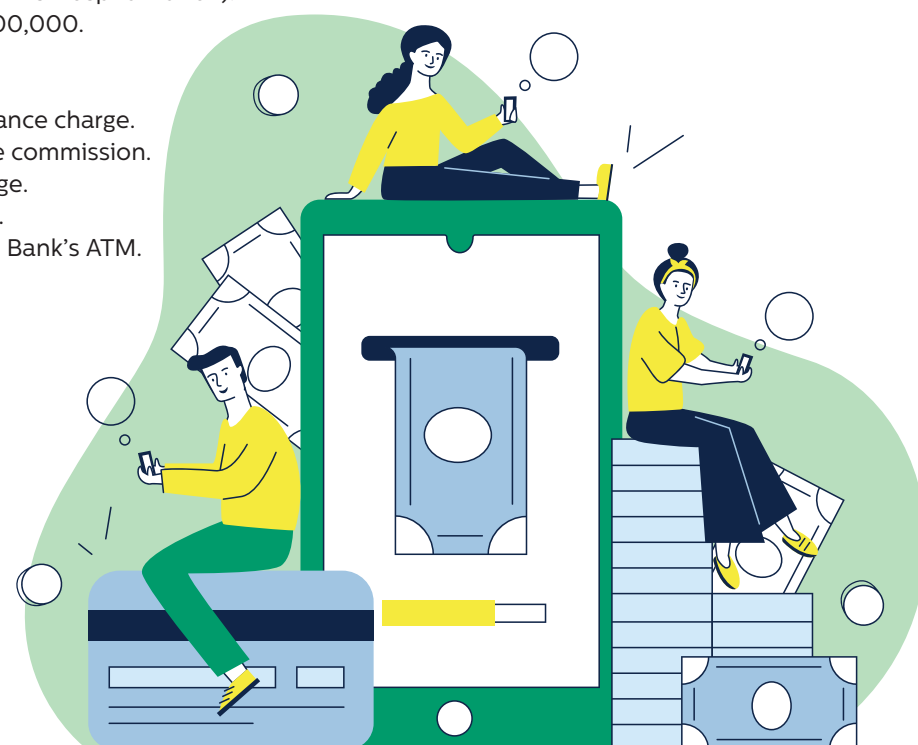
- Minimum Amount: USD 10,000 or equivalent FCY.
- Tenor- minimum 2 years and above.
- Currency: USD, GBP, EURO and AUD.
- Interest Payment Frequency: Quarterly (as per Nepalese Calendar).
- Acceptance of the funds in Citizens FCY account with no charge. The fund must be received via Banking Channel.
- Full repatriation of Principal and Interest (after deduction of applicable tax) amount in same currency with no charge to same account at same country from where the fund is received.
- No minimum balance shall be maintained in the nominee account for COFCYFD.
- Free statement/interest credit advice will be sent by email on request.
- Prematurity of FD is not allowed for two years; however, the FDs can be premature after 2 years with Bank's standard applicable charges.

15. Citizens Talab Bachat Khata

This product is a saving product focused for working profession. This product shall be useful for the various corporate houses to manage the salary of their employees. This product is launched to tap the payroll of corporate/enterprises salary account which are major source to improve the savings deposit of the Bank. Interest rate of 4.00% p.a. is provided under this scheme.

Features of the product:

- No minimum balance required.
- Free Issuance of Visa Debit Card (*first year only).
- Free Mobile Banking Facility (*first year only).
- Free De-Mat Account.
- Free C-ASBA Service*.
- Free Internet Banking* .
- Free activation of 3-D secure for e-com transaction.
- Medical Insurance up to NPR 25,000 (24 hrs Hospitalization).
- Accidental Death Insurance up to NPR 300,000.
- Free issuance of Cheque Book.
- 50% discount on annual Locker Fees.
- 50% discount on balance certificate issuance charge.
- 50% discount on draft and swift issuance commission.
- 50% discount on good for payment charge.
- 50% discount on issuance of Credit Card.
- Free Cash Withdrawal Facility from other Bank's ATM.



16. Citizens Samrakshit Bachat Khata

Citizens Samrakshit Bachat Khata is a Savings Deposit Product to be launched for Nepalese citizens of all age group. Saving deposit is of top priority in the banking industry today and product with additional and attractive features especially with insurance facilities has become a necessity to attract the individual savings deposit customers. Hence, to enhance the brand of the Bank in market and to lure the masses in the Bank seeking insurance facilities, we have focused on this product. Thus, this product is expected to improve the savings deposit base of the Bank.

Features of the product

- Minimum Balance- NPR 1,000.
- Interest Rate 4.00% p.a.
- Free issuance of Cheque Book.
- Free 'Any Branch Banking Service' (ABBS).
- Free Issuance of Visa Debit Card.
- Free Mobile Banking.
- Free De-Mat Account.
- Free C-ASBA Service.
- Free Internet Banking.
- Free activation of 3-D secure for e-com transaction Medical Insurance up to NPR 50,000 (24 hrs Hospitalization).
- Accidental Death Insurance up to NPR 500,000.
- 50% discount on annual Locker Fees.
- 50% discount on balance certificate issuance charge.
- 50% discount on draft and swift issuance commission.
- 50% discount on good for payment charge.
- Free Cash Withdrawal Facility from other Bank's ATM.

17. Citizens Smart Bachat Khata

It is a Savings Deposit Product launched especially for the Young Generation (Millennials) and tech savvy population; however, this product shall also be available for all citizens. This product is step toward digitization and it shall be a complete eco friendly product.

Features of the product

- Minimum balance NPR 0.
- Interest Rate - 4.00% p.a.
- Free De-Mat Account.
- Free activation of 3-D secure for e-com transaction.
- Free Cash Withdrawal Facility from other Bank's ATM.
- As this product is digital and paperless, statement and cheque shall not be provided to the customers, which help in cost reduction. The cheque book printing option shall be disabled in the Finacle system (CBS). *for first year only.

18. Citizens Extra Fixed Deposit

Citizens Extra Fixed Deposit can be opened with primary applicant as Nepalese Citizen. Minors are also eligible to open this account. Foreigners residing in Nepal can also open account with valid documentation subject to full compliance of NRB circulars and/or prevailing act/rules. The products yields higher rate of interest on interest received from Fixed Deposit as interest of FD is placed on high yielding recurring deposit.

Features of the product

- Minimum Amount- NPR 100,000.
- Interest Rate on CXFD- 6.50% p.a.
- Interest Rate on RD linked with CXFD: 6.50% p.a.
- Tenure: minimum 3 Months to maximum of 10 Years.
- Tenure for Recurring Deposit (RD) nominee account for interest payment of CXFD: One day after the maturity of CXFD i.e. one day more than that of CXFD.

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व्यक्तिगत मुदती
निक्षेप खाता

Citizens Bank
www.citizensbank.com

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त्रैमासिक आम्दानी...

वित्तियन
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बचत खाता

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LOAN SCHEMES

A. CONSUMER LOANS

1. Citizens Home Loan
2. Citizens Mortgage Loan
3. Citizens Auto Loan
4. Citizens Education Loan
5. Citizens Margin Lending
6. Citizens Bina Dhito Karja
7. Citizens Equipment Loan
8. Citizens Fast Track Loan
9. Citizens One Zone One Product
10. Citizens Agriculture and Enterprise Loan
11. Citizens Gold Loan
12. Subsidized Loans
 - a) Citizens Commercial Agriculture and Livestock Loan
 - b) Citizens Educated Youth Self Employed Loan
 - c) Citizens Foreign Employment Returnee Project Loan
 - d) Citizens Women Entrepreneurship Loan
 - e) Citizens Dalit Community Entrepreneurship Development Loan
 - f) Citizens Higher and Technological or Vocational Education Loan
 - g) Citizens Earthquake Victim Residence Construction Loan
 - h) Citizens Technical Education loan
13. Citizens Credit Card

B. CITIZENS SME LOAN

C. CORPORATE LOANS

D. OTHER LOANS

1. Loan against Government Bond
2. Loan against Citizens Fixed Deposit Receipt and Promissory Note
3. Loan against first class Bank Guarantee
4. NPR Loan Against FCY Fixed Deposit Receipt

MORTGAGE APPLICATION

Housing Register number: _____

Name(s): _____

Applicant 1: _____

Date of Birth: _____

Address: _____

Telephone Home: _____

Mobile: _____

Work: _____

Email: _____

APPROVED

Members of household to be housed:

Name:	Date of Birth:	Relationship:
Name:	Date of Birth:	Relationship:
Name:	Date of Birth:	Relationship:
Name:	Date of Birth:	Relationship:
Name:	Date of Birth:	Relationship:

What are your current housing circumstances

If you, please tick as appropriate

An owner occupier:	<input type="checkbox"/>
A tenant of a housing association:	<input type="checkbox"/>
A tenant of housing provided with job:	<input type="checkbox"/>
Living with friends/family/lodger:	<input type="checkbox"/>
In HM Forces quarters:	<input type="checkbox"/>
A shared owner lessee:	<input type="checkbox"/>
A private tenant:	<input type="checkbox"/>



BELOW IS THE DESCRIPTION OF LOAN PRODUCTS OF THE BANK:

A. CONSUMER LOANS

1. Citizens Home Loan

The Bank offers financing facilities to finance a purchase of a plot of land and/or readymade building, apartment, construction, repairs, renovation, additions and alteration to the house/flat.

Features of the product:

- Terminating loan payable in Equal Monthly Installment.
- Loan size maximum up to NPR 15 Million.
- Repayment period of maximum 25 years.
- Loan portion up to 70% of fair market value of the collateral security.
- Refinancing Facility.

2. Citizens Mortgage Loan

The Bank offers loan facility to cater the needs of individual to meet their personal financial obligations through Mortgage Loans.

Features of the product:

- 1 Year Revolving Overdraft or Terminating loan payable in Equal Monthly Installment.
- Loan size maximum up to NPR 5 Million.
- Repayment period of maximum 15 years.
- Loan portion up to 50% of fair market value of the collateral security.

3. Citizens Auto Loan

Auto loan is a vehicle financing scheme for purchasing new or used private and commercial vehicles to salaried or self-employed Nepalese citizen or owners of the business. The loan is provided against registration of vehicle in the Bank's name.

Features of the product:

- Loan size up to NPR 10 Million for private vehicles and NPR 7 Million for commercial vehicles.
- Loan tenure is up to 6 years for private vehicles and up to 5 years for commercial vehicles.
- Terminating loan payable in Equal Monthly Installment.

4. Citizens Education Loan

Bank has brought education loan, which aims to finance meritorious students who choose to pursue a higher education (Professional or technical) in Nepal and abroad. The loan is extended to students/professionals desiring to pursue higher studies such as Graduation, Post-Graduation, Specialization and Vocational/Technical courses in the country or abroad.

Features of the product:

- Terminating loan payable in Equal Monthly Installment.
- Loan size maximum up to NPR 5 Million.
- Repayment period of maximum 15 years including moratorium period of 4 years or education period, whichever is earlier.
- Loan portion up to 100% of the cost of education.

5. Citizens Margin Lending

Margin lending is financing individuals or companies against ordinary equity shares. The bank offers the financing scheme against the shares of selected companies which are listed in the Nepal Stock Exchange (NEPSE).

Features of the product:

- Demand Loan and Overdraft nature of loan up to 1 year.
- Loan portion up to 70% of the 120 days average price or previous day's closing price, whichever is lower of the shares pledged.

6. Citizens Bina Dhito Karja

Citizens Bina Dhito Karja helps to get loan without any collateral. This loan is offered to meet the financial obligation/s to salaried individuals and professionals. The loan is advanced to meet various requirements of the borrower such as travel expenses, medical expenses, social expenses, purchase of medical equipment and appliances for professional use, home appliances, etc.

Features of the product:

- Revolving or Non-revolving nature of loan.
- Revolving up to NPR 0.30 Million and Loan size maximum up to NPR 1.50 Million including revolving.
- Repayment period of maximum 5 years.

7. Citizens Equipment Loan

Equipment loan is a equipment/machine financing scheme for purchasing new or used equipments for Nepalese citizen or infrastructure/construction companies. The loan is provided against registration and/or hypothecation of equipment in the Bank's name.

Features of the product:

- Loan size up to NPR 10 Million.
- Loan tenure is up to 5 years.
- Terminating loan payable in Equal Monthly Installment.
- LC Facility available for direct import of equipments.

8. Citizens Fast Track Loan

The Bank has offered Citizens fast track loan designed to uplift the living standards of the under-privileged families by providing them financial support at the time of their need. The purpose of this loan is to meet financial requirement of the borrower, both individuals, and business units, for agriculture/business/personal use.

Features of the product:

- Can be offered as term loan or overdraft loan.
- Loan size maximum up to NPR 2 Million.
- Repayment period of maximum 10 years in equal monthly installment for term loan.
- 1-year revolving facility for overdraft loan.
- Loan portion up to 60% of the derived value of collateral security.

9. Citizens One Zone One Product

The Bank has especially designed product to meet the financial requirement of the people involved in agriculture and/or agricultural business, for their economic upliftment. The objective of this product is also to bring those who are deprived from formal banking sector within reach of our Bank and reduce the dependency of farmers with the middlemen and are designed in such a way, that the product promotes use of local resources, local skill and local people's involvement to carry out the business.

Features of the product:

- Can be offered as term loan or overdraft loan.
- Loan size maximum up to NPR 5 Million.
- Repayment period of maximum 10 years in equal monthly installment for term loan.
- 1-year revolving facility for overdraft loan.
- Loan portion up to 60% of the derived value of collateral security.

10. Citizens Agriculture & Enterprise Loan

The Bank has offered Citizens Agriculture & Enterprise Loan to meet financial requirement of industry/individuals involved in production of agriculture goods and manufacturing activities of different goods and services.

Features of the product:

- Available in terminating loan payable in EMI.
- Loan size maximum up to NPR 1.50 Million
- Repayment period of maximum 10 years.
- Available at Base Rate plus 2% premium.

11. Citizens Gold Loan

The Bank offers Citizens Gold Loan for meeting any type of contingent requirements, thus harnessing the yellow metal, which is usually a "non-sweating" asset, for productive purposes. The customer can walk into branch of the Bank offering Gold Loan with the customers' jewellery/gold bullion (minimum of 22 and 24 carats only). The easy documentation and simple process will ensure that a customer can avail a loan across the counter. Customers can make good use of the assets owned, by availing this product.

Features of the product:

- Non-revolving nature of loan.
- Loan size up to NPR 1 Million.
- Loan tenure of 1 year (Subject to annual review).
- Loan portion of maximum up to 80% of the derived value in case of solid gold and 70% of the derived value in case of gold ornaments.

12. Subsidized Loans

The Bank has introduced the scheme of subsidized loan up to 5 years tenor for providing various concessional loans to unemployed educated youths, returnee migrant works, women entrepreneurs, Dalits, earthquake victims and other targeted groups, for the motive of their economic upliftment. Detail of various subsidized loans are as follows:

- a) Citizens Commercial Agriculture and Livestock Loan (Up to NPR 1 Million).
- b) Citizens Educated Youth Self Employed Loan (Up to NPR 0.70 Million).
- c) Citizens Foreign Employment Returnee Project Loan (Up to NPR 1 Million).
- d) Citizens Women Entrepreneurship Loan (Up to NPR 1.50 Million).
- e) Citizens Dalit Community Entrepreneurship Development Loan (up to NPR 1 Million).
- f) Citizens Higher and Technological or Vocational Education Loan (Up to NPR 0.50 Million).
- g) Citizens Earthquake Victim Residence Construction Loan (Up to NPR 0.30 Million).
- h) Citizens Technical Education loan (Up to NPR 0.20 Million).

13. Citizens Credit Card

Credit Card is provided to the individuals having regular source of income to make payment of product/services at merchant locations via Point of Sale and cash withdrawal at ATM.

Features of the product:

- Up to NPR 0.25 Million.
- US Dollar Credit Card available against lien over equivalent USD in account.

B. CITIZENS SME LOAN

SME loans are meant for small and medium enterprises to help them meet the financial requirements. This loan is provided to finance working capital and/or capital expenditure requirement as well as non-funded facilities such as letters of credit and guarantees for small businesses including retailers, wholesalers, cottage and small-scale manufacturing and processing units, exporters, importers, contractors, educational institutions, self-employed professionals, medical / health facilities, etc. The loans to business up to NPR 50 Million are categorized as SME Loans.

Facilities provided under SMEs Loan:**Funded Facilities**

- a. Term Loan
- b. Overdraft/Working Capital Loan
- c. Working Capital Term Loan
- d. Trust Receipt Loan
- e. Export Credit

Non-Funded Facilities

- a. Letter of Credit
- b. Bank Guarantee

C. CORPORATE LOANS

Business Loans in excess of NPR 50 Million are categorized as Corporate Loans whereas loans to large corporate under consortium arrangement are categorized as Consortium Loans.

Facilities provided under Corporate Loans:**Funded Facilities**

- a) Term Loan
- b) Overdraft
- c) Working Capital Loan
- d) Trust Receipt Loan
- e) Export Finance
- f) Bridge Gap Loan

Non-Funded Facilities

- a) Letter of Credit (LC)
- b) Bank Guarantee (BG)

OTHER SERVICES

A. Funded Facilities

1. Overdraft
2. Working Capital Loan
3. Trust Receipt Loan
4. Export Finance
5. Bid Bond
6. Performance Bond
7. Loan Against Government Bond
8. Loan Against Citizens Fixed Deposit Receipt and Promissory Notes
9. NPR Loan Against FCY Fixed Deposit Receipt
10. Consortium Financing
11. Deprived Sector Loan
12. Citizens Mortgage Loan (Personal Overdraft)
13. Term Loan

B. Non-Funded Facilities

1. Letter of Credit (LC)
2. Bank Guarantee (BG)

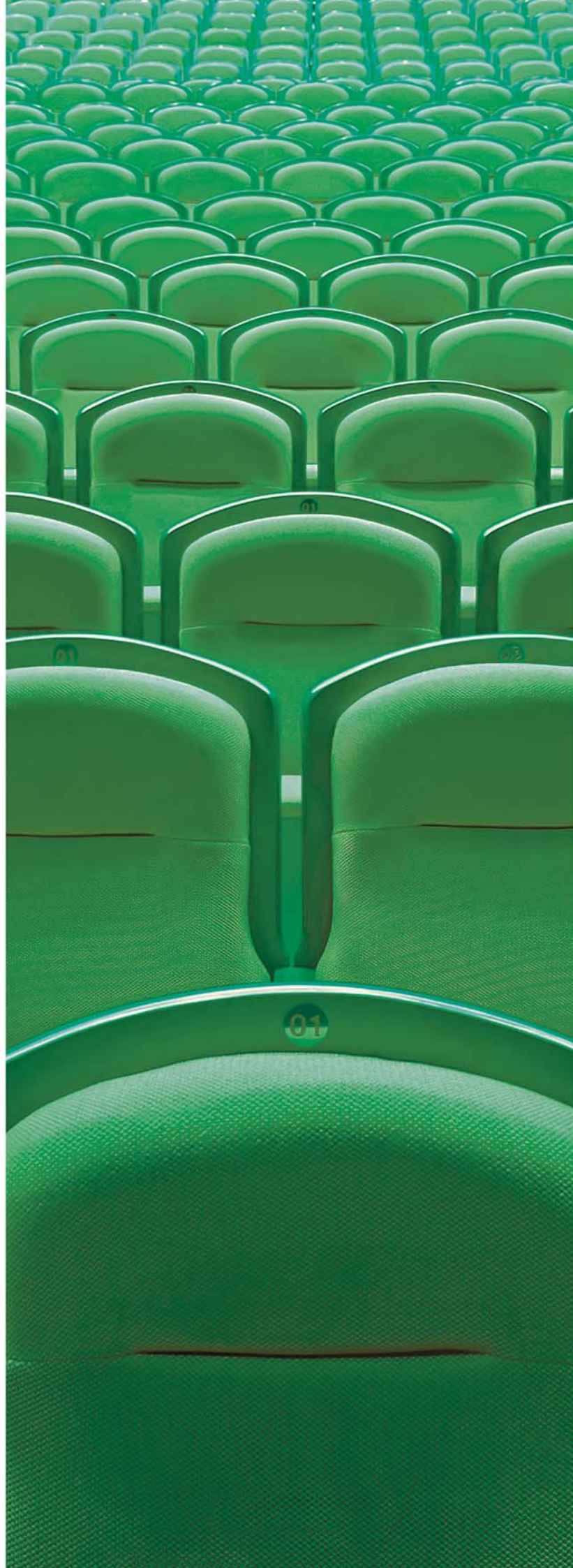
C. Online Services

1. Mero Share Services
2. DE-MAT Services
3. ASBA Services
4. Connect IPS
5. Mobile Banking
6. Internet Banking
7. Online Account Opening Facility

D. Other Facilities

1. Locker Facility
2. Utility Payment
3. Pay Bill Facility
4. Privilege Banking
5. Branchless Banking Services
6. Remittance Services
7. VISA Cards
8. Market Maker Services





02

CORPORATE GOVERNANCE

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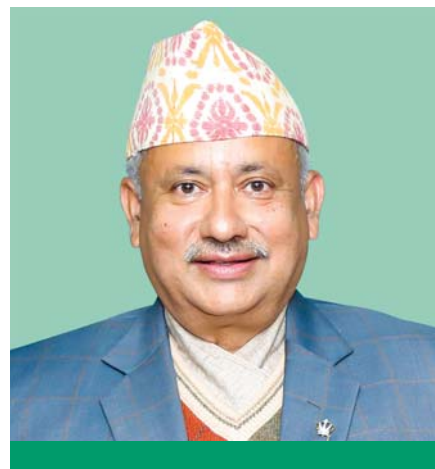
DIRECTOR'S PROFILE

MR. RAJAN SINGH BHANDARI

Chairman

Mr. Rajan Singh Bhandari, aged 60 years, is a Chartered Accountant from ICAI and post graduate in Economics from TU. He is a prominent personality in the Nepalese Banking Industry. He has served numerous important positions in the past such as the President of Nepal Bankers Association (NBA), Chairman of Deposit Insurance & Credit Guarantee Corporation, Chairman of Nepal Electronic Payment Systems Ltd. (NEPS), Chairman of Nepal Clearing House Ltd. (NCHL) and Chairman of Mero Microfinance Bittiya Sanstha Ltd. He was also the Vice President of Management Association of Nepal (MAN).

In the professional arena; Mr. Bhandari has served Nepal Rastra Bank (NRB) for 26 years (June 1980 – Dec 2006) in various capacities and was the Executive Director during his exit from NRB. Whilst in NRB, Mr. Bhandari was also one of the key players in leading and coordinating the Financial Sector Reform Program of Nepal. Further; introducing and formulating several prudential norms and directives in the history of Nepalese Banking System can also be listed under his achievements. Furthermore, he is also the founder CEO of Citizens Bank International Ltd. and has contributed significantly in the Bank's progress from its establishment in 2007 till 2018.



MR. PRAKASH CHANDRA MAINALI

Public Director

Mr. Mainali is an experienced businessman. He is mainly related to the business sectors like service industry, poultry and other industries. He had also worked in a Joint Venture bank for 9 years prior to commencing his own business ventures. His vast experience in numerous ventures have garnered a good risk management acumen in his speciality.

MEMBERSHIP OF BOARD LEVEL COMMITTEE

Risk Management Committee
Merger and Acquisition Committee

-Coordinator
-Member

MR. BIJAYA DHOJ KARKI

Public Director

Mr. Bijaya Dhoj Karki successfully served for 36 years in the Nepal Army and then retired in the post of Brigadier General. During his service period, Mr. Karki visited all 77 districts of the country. He also served under the UN Mission in former Yugoslavia, Haiti, Lebanon, Congo, etc. Mr. Karki also attended the Crisis Management training in Israel. Mr. Karki is an Honorary Member of the Barphedi Society. Mr. Karki possesses excellent risk management capabilities and is an effective strategist.

MEMBERSHIP OF BOARD LEVEL COMMITTEE

Human Resource and Compensation Committee
Merger and Acquisition Committee

-Coordinator
-Member



MRS. SEETA KARKI (K.C.)**Public Director**

Mrs. Seeta Karki (K.C.), aged 47 years is a graduate from Tribhuvan University and has more than 15 years of experience in the field of travels and trading. She is a professional entrepreneur and is currently associated with a travel agency in Nepal in the capacity of Director.

MEMBERSHIP OF BOARD LEVEL COMMITTEE

Audit Committee

-Coordinator

Anti Money Laundering Committee

-Member

**MR. PRABAL JUNG PANDEY****Director**

Mr. Prabal Jung Pandey, aged 47 years is a graduate in engineering and has 20 years of extensive experience in the field of manufacturing industries and trade. He is currently associated with pharmaceuticals and cement business. Apart from this, he also has affiliation with several other social and professional organizations.

MEMBERSHIP OF BOARD LEVEL COMMITTEE

Merger and Acquisition Committee

-Coordinator

Risk Management Committee

-Member

MR. SAJAN SHARMA**Director**

Mr. Sajan Sharma, aged 34 years is a post graduate from University of Iowa, USA and has extensive experience in the field of global aviation and aerospace. He also has over a decade of experience in leading the product development and business development teams in the aerospace and defense industries. He is currently associated with financial technology company (Fintech) and various other industries as well. He is a passionate entrepreneur who focuses in the development of the country and its economy.

MEMBERSHIP OF BOARD LEVEL COMMITTEE

Anti Money Laundering Committee

-Coordinator

Digital Transformation Committee

-Coordinator

Audit Committee

-Member

**MR. SUDESH KHALING RAI****Professional Director**

Mr. Sudesh Khaling Rai, aged 54 years, is the post graduate from Sikkim Manipal University. He has over 32 years of experience in various management roles in senior level in an international bank including 4 years as Chief Executive Officer in a private Bank of Nepal. He has proven ability to develop, drive and exceed both short and long term strategies and key operational performance results and outcomes across the organization.

MEMBERSHIP OF BOARD LEVEL COMMITTEE

Human Resource Compensation Committee

-Member

Digital Transformation Committee

-Member

CHAIRMAN'S MESSAGE

We remain committed to promoting digitization of banking services, for the convenience and transparency it brings with the help of secured Information Technology.

Rajan Singh Bhandari
Chairman

Rajan Singh Bhandari
Chairman

On behalf of shareholders, it is with great pride and honor to present the achievements and contribution of the Bank in the form of Annual Report for the Financial Year 2019-20.

The Bank experienced tremendous growth in the first 9 months of the review period as there was positive growth in each of the Bank's indicators and we were all set to provide a healthy return to our shareholders in the review period. However, with stringent lockdown measures called by the government for containing the pandemic, the economy was brought to a standstill. This halt resulted in reduction in the economic activities in the country affecting the overall growth, asset quality, paying capacity of customers and profitability of overall banking sector as a whole. Nevertheless, we are always focused on providing excellent services and facilities to our customers by always focusing in strengthening the quality level no matter what the situation is.

BANK'S PERFORMANCE

While this year have been difficult due to slowing down of economic activities in the country, I am proud to say that despite of ups and downs for the entire banking industry, our Bank has continued to demonstrate the strength, stability and prudent management to provide uninterrupted banking services to our customers and deliver reasonable return to our shareholders.

The Bank's performance in the review period is quite commendable and encouraging- leading to higher ambitions in days to come for increasing the shareholder's value while "Thinking Ahead". We were able to successfully acquire Province 2 based development bank-Sahayogi Vikash Bank Limited in the financial year expanding our networks for reaching new customers. With this acquisition, we were able to increase our deposit and loan portfolio along with significant increase in our portfolio of CASA deposits and have gained a strong presence in Province 2 with an extensive network of 21 branches serving more than 166,700 customers and gaining sizeable deposits portfolio of NPR 10.10 billion and loan portfolio of NPR 9.25 billion.

Amidst the challenging situation globally and uncertain macro-economic factors and increasing regulatory requirements, the Bank still achieved a Net profit of NPR 1,198.50 million for the year ended July 15, 2020 and is successful in proposing the dividend of 11%. This figure depicts the Bank's resilience in standing strong and giving back to the country and society. The net profit in the review period is lower by 18 percent than that of previous fiscal year is only due to the fact that overall banking operation was halted by lockdown affecting the overall growth, and asset quality. The discount that we have provided on interest and interest rebate of 2% to Covid 19 impacted borrowers, impact on recovery of dues and interest resulting in increase in impairment of assess has also impacted the overall profitability.



FINANCIAL PERFORMANCE

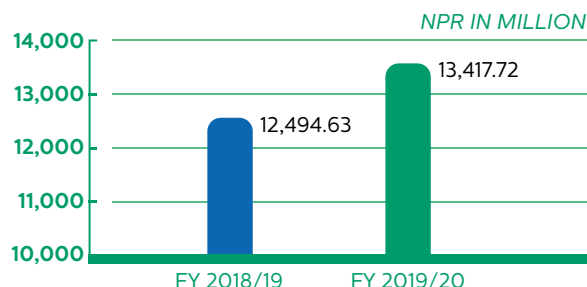
Despite of the challenges posed by the economic downturn, the deposits of the Bank grew by 24.35% to a level of NPR 92,185.13 million, from the previous year level of NPR 74,135.74 million. The loans and advances portfolio also increased by 24.91% to NPR 81,283.39 million, from the previous year level of NPR 65,072.42 million. The asset quality of the Bank did not deteriorate majorly as expected but wane slightly from that of last fiscal year to 1.55% from 1.19%. The Bank has contributed NPR 570.6 million to the Government Exchequer on account of corporate tax as compared to NPR 680 million last year. The Bank's total net interest income increased merely by 7 percent to a level of NPR 2,884 million and non-interest income increased by 21 percent to NPR 1,075 million. The operating expense increased by 7 percent whereby the operating profit of the Bank decreased by 29 percent to NPR 1,499 million.

Furthermore, I would like to heartedly announce that the valued funds of our shareholders have reached NPR 13,418 million which is a growth of 7 percent than that of last fiscal year. The total assets size of the Bank has increased by

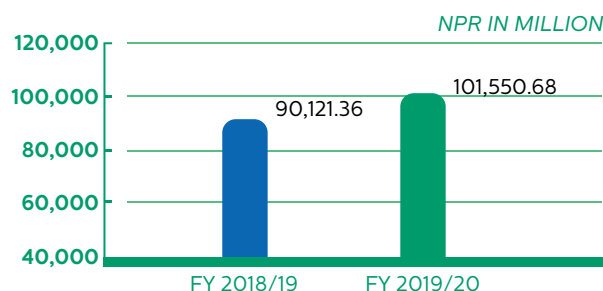
18 percent reaching to the level of NPR 110,551 million as compared to previous fiscal year. The capital adequacy ratio stood comfortably at 15.14 percent.

Our major contributor for the given outcomes in this hard times has been our consistency with our vision to be the leading bank for its service excellence.

SHAREHOLDERS FUND



BALANCE SHEET SIZE



NETWORKS

The Bank is growing with strategically located branch network in the major cities to rural places of Nepal, supported by ATM network and online banking services. With the policy of expanding business of the Bank and providing financial services to the people living in remote areas of the country, the Bank has opened 15 new branches and has acquired 14 branches with the acquisition of Sahayogi Vikash Bank Limited. As of July 15, 2020, the Bank has 109 branches, 99 ATM networks among others are numerous remittance networks, Branchless Banking networks (BLB) and extension counter.

We have embarked on the journey of transforming our branch networks and refurbishing the business models to provide the best of the services to our valued customers. The revamped business model consists of introducing digital channels for providing efficient, easy to use and secure banking services to all our customers. We have replaced the Paper Based Pin with Green Pin through mobile OTP for further security. Also, customers have been provided online account opening facilities through Bank's website. We were successful to serve our customers and continue our services in the tough times of lockdown and restrictions in times of Covid 19 only because of our customer focused vision and mission. We have proactively continued with providing service to the customers at all times without undermining the health of our staffs and adopted safety protocols in all the branches and ATMs of the Bank. We have introduced Work from Home modules keeping the safety of the staffs in mind for providing uninterrupted banking services to our customers.



WAY FORWARD

Reflecting its emphasis on personalized service and the pursuit of excellence, the Bank has grown rapidly and consistently despite the various challenges in the market. In 2019/20, we continued our relentless commitment to create sustainable value for our customers, shareholders and communities. We have been focusing on various CSR programs as our responsibility contributing towards the social needs.

We have been marching ahead with our vision to be the leading Bank known for its service excellence driven by our most productive human capital' i.e.; our dedicated management team and motivated staffs.

We now look forward to building a motivated, professional workforce all the while keeping in touch with the common man and his needs; fully riding on our motto of "Your Partner for Progress". We will also be enhancing accessibility to our services through strengthening of our service network. We remain committed as ever, to bringing banking services to those who previously have no access. We remain committed to promoting digitization of banking services, for the convenience and transparency it brings with the help of secured Information Technology. We are constantly working to upgrade our existing system and technology and thrive to grab and associate with the most advanced technologies that could fit Nepalese Market and its economy at the same time. We drive our values by innovation that carries a purpose that is speedily converted into reality, ultimately helping us to seamlessly deliver personal and professional financial services to our customers and clients across multiple channels anywhere and anytime. And most of all, we remain committed to our role in driving forward the economic and social development of the country.

NOTE OF THANKS

I, on behalf of the Board, express my sincere gratitude for the guidance, support and trust received from regulatory bodies, shareholders, valued clients and customers. Further, I want to express thanks to Board members, management team and employees of the Bank for their hard work and committed effort for the growth of the Bank in line with the vision and mission of the Bank.

RAJAN SINGH BHANDARI

Chairman

MANAGEMENT TEAM PROFILE

Mr. Ganesh Raj Pokharel

Chief Executive officer

Mr. Pokharel, a professional banker with more than 27 years of experience, is one of the founders and the Chief Executive Officer of Citizens Bank International Ltd. Prior to his appointment as the Chief Executive Officer, he had headed various departments of the Bank playing crucial roles. His area of expertise includes overall business operations and development. He is a charismatic leader with vision and has sound interpersonal relationship skills with different stakeholders. Before joining the Bank, he served as Management Expert for 14 years. He holds an Executive MBA degree in Finance from Kathmandu University and MBA (Marketing) and BL (Banking) degrees from Tribhuvan University.



POSITIONS HELD DURING THE YEAR

IT Steering Committee	-Chairman
Assets Liabilities Management Committee	-Chairman
Executive Committee	-Chairman
Merger and Acquisition Committee	-Member Secretary
Human Risk Compensation Committee	-Member
Operational Risk Management Committee	-Invitee



Mr. Bodh Raj Devkota

Deputy Chief Executive Officer

Mr. Devkota has 24 years of banking experience. He holds Masters in Philosophy (Management) from Kathmandu University and MBA (Finance) from Tribhuvan University. He started his banking career from Nepal Bank Limited as a Deputy Manager. He served Nepal Bank Ltd from December 1994 to March 2007. Prior to joining the Bank, he was head of Relationship Management Division (Corporate and IME Business). He has been serving to Citizens Bank International Limited since its inception.

POSITIONS HELD DURING THE YEAR

Recruitment Committee	-Coordinator
Executive Committee	-Member
Assets Liabilities Management Committee	-Member
IT Steering Committee	-Member

Mr. Ramdhan Shrestha

Assistant Chief Executive Officer, Internal Audit Department

Mr. Shrestha was associated with Nepal Rastra Bank where he served for around 36 years. He has been actively involved and serving in the Bank since its inception. His area of expertise is in personnel administration, finance, treasury, business, risk management, recovery, operations, etc.

POSITIONS HELD DURING THE YEAR

Audit Committee	-Member Secretary
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Mr. Sumit Babu Khatri**Assistant Chief Executive Officer, Chief Credit Officer**

Mr. Khatri, an MBA has 21 years of banking experience. He has over 17 years experience in Credit and Marketing Department looking after corporate & commercial loans, consumer loans and infrastructure & project financing in various capacities. He has been leading Credit and Marketing Department since last six years.

POSITIONS HELD DURING THE YEAR

Assets Liabilities Management Committee
Recruitment Committee
Executive Committee

-Member
-Member
-Member

**Mr. Paras Kumar Kafle****Assistant Chief Executive Officer, Chief Operating Officer**

Mr. Kafle, an MBS from Tribhuvan University has over 20 years of experience in banking sector. His areas of experience and expertise include Trade Finance, Credit Operations, Branch Management, Bank Operations and Relationship Management both in Corporate Credit and SME Loans, Operational Risk Management and Compliance.

POSITIONS HELD DURING THE YEAR

Assets Liabilities Management Committee
Risk Management Committee
Recruitment Committee
Executive Committee
Operational Risk Management Committee
IT Steering Committee

-Member
-Member
-Member
-Member
-Member
-Invitee

Mr. Rajendra Lal Shrestha**Assistant Chief Executive Officer, Chief Risk Officer**

Mr. Shrestha, an MBA from SIBM, Pune has 21 years of banking experience specially in Risk Management. He started his career as Management Trainee and worked in various department including Branch Operation, Trade Finance, Credit & Marketing, Credit Administration, Recovery and Risk Management. He also has experience of branch management and headed Newroad Branch as Branch Manager for 5 years. He has been associated with Citizens Bank International Limited since its inception. At present, he has been heading Risk Management Department of the Bank.

POSITIONS HELD DURING THE YEAR

Operational Risk Management Committee
Risk Management Committee
Anti Money Laundering Committee
Executive Committee
IT Steering Committee

-Chairman
-Member Secretary
-Member
-Member
-Invitee



Ms. Umang Sharma**Assistant Chief Executive Officer,
Chief Administrative Officer**

Ms. Sharma, an MBA from Kathmandu University has 19 years of banking experience. She currently heads Human Resource Department, General Service Department and Corporate Communication Department of the Bank. Previously, she has worked in Credit Department in the field of Consumer Banking, SME Banking Unit. She is also the Spokesperson of the Bank. She represents the Bank at the Board of Nepal Clearing House Ltd.

**POSITIONS HELD DURING THE YEAR**

Purchase Committee	-Coordinator Human Resource
Compensation Committee	-Member Secretary
Recruitment Committee	-Member
Executive Committee	-Member
IT Steering Committee	-Member

**Mr. Sanjeeb Kumar Shrestha****Assistant Chief Executive Officer,
Chief Information Technology Officer**

Mr. Shrestha, Master in Computer Engineering from Ukraine has over 22 years of Banking Experience in the field of Information Technology. He has been working in IT Department and also has experience in the field of Branchless Banking, Card and Remittance.

POSITIONS HELD DURING THE YEAR

Digital Transformation Committee	-Member Secretary
IT Steering Committee	-Member
Executive Committee	-Member
Purchase Committee	-Invitee

Mr. Pramesh Raj Kayastha**Chief Finance Officer**

Mr. Kayastha holds Chartered Accountancy degree from Institute of Chartered Accountants of India and BBS from Tribhuvan University. Prior to joining Citizens Bank International Limited, he was associated with Prime Commercial Bank Limited as Finance Head for over 3 years. He had joined Citizens Bank International Limited on July 07, 2013 (Ashadh 23, 2070) as Executive Finance Officer.

POSITIONS HELD DURING THE YEAR

Assets Liabilities Management Committee	-Member
Human Resource Compensation Committee	-Member
Executive Committee	-Member
Purchase Committee	-Member



HEAD OF DEPARTMENTS

NAME OF HEAD	POSITION	DEPARTMENT
Ramdhan Shrestha	Co-ordinator	Internal Audit Department
Ravi Kumar Rauniyar	Executive Officer	Risk Management
Suman Mulepati	Head	Corporate Banking Unit
Narayan Raj Adikari	Head	Credit Risk-Consortium Infrastructure/Corporate/SME
Amit Khanal	Head	Consumer Banking Unit
Roman Pradhanang	Head	Information Technology Department
Roshan Malla	Head	Consortium/ Infrastructure Banking Unit
Roshan Manandhar	Head	Retail Banking
Smita Pant	Head	Human Resource Department
Tulasi Raj Rijal	Head	SME Unit
Anit Sapkota	Head	Operations Policy and Process Implementation
Suresh Prasad Thapaliya	Head	Trade Administration
Suyesh Kumar Poudel	Head	Transactional Banking
Angish Shrestha	Head	Treasury Department
Akanksha Basnet	Executive Finance Officer	Finance Department
Prashant Bikram Khadgi	Head	Operations Department
Binay Rauniyar	Head	Credit Risk-CBU
Hari Babu Thapa	Head	Credit Administration Department
Paras Bikram Thapa	Head	Deposit Marketing
Kedar Adikari	Head	Legal Department
Dikendra Ram Kashajoo	Head	General Service Department
Bishnu Man Shrestha	Head	Remittance Department
Neetika Ghimire	Incharge	Corporate Communication Department
Udaya Raj Keshari	Incharge	Card Department
Sujata Subedi	Incharge	Branchless Banking Unit
Subi Maharjan	Incharge	E-Banking Unit
Nabindra Napit	Head	Recovery Department
Bhawana Ojha	Head	Research And Development

CEO'S MESSAGE

// We have always believed in rendering our efforts for healthy growth of assets quality and elevation of the customer banking experience across all branches and platforms. //

GANESH RAJ POKHAREL
Chief Executive Officer

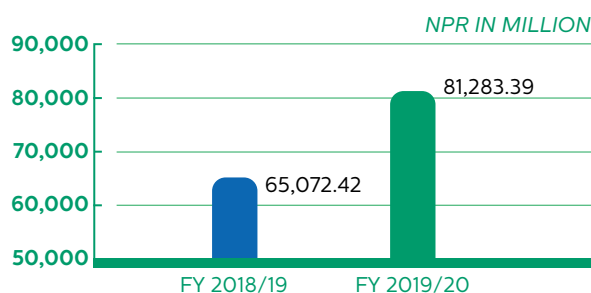
GANESH RAJ POKHAREL
Chief Executive Officer



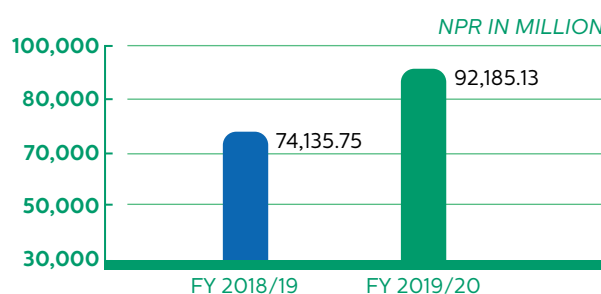
Over the period of 14 years since its inception, Citizens Bank International Limited, with the motto of “Your Partner for Progress” has become the partner for progress for all of its stakeholders including customers, staff members, shareholders and other related parties. We have followed a completely iconic organic growth model having footprint in all seven provinces, covering 45 districts with 109 branches where we believe in mutual growth and benefit rather than aggressive growth.

The Bank’s performance in the review period has been remarkable with sharp boost in deposit, loans and advances and net profit. Despite the mounting challenges of COVID 19, the Bank has been able to report outstanding figures in the financials of FY 2019/20.

LOAN AND ADVANCE

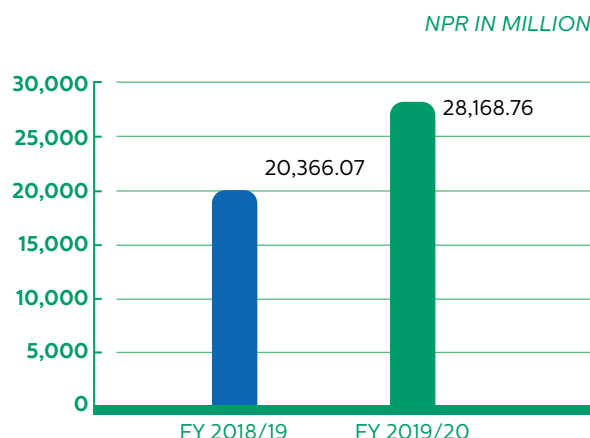


BALANCE SHEET SIZE



With the intention of extensive market coverage in Province 2 and increasing the saving deposit base of the Bank, we have acquired and started the joint transaction with Province 2 based development bank-Sahayogi Vikash Bank Limited on July 4, 2020. The trail impacts of the acquisition brought a good amount of increase in our Balance Sheet size by 18% whereby additional deposits of Sahayogi Vikas Bank Limited amounting to NPR 7.67 billion was accumulated. Likewise, additional loan amounting to NPR 4.01 billion was added in our Balance Sheet. Moreover, the synergistic effect of the acquisition, helped us to significantly increase our portfolio of CASA deposits as well as retail lending programs. The CASA deposit exposure increased by NPR 4.06 billion, wherein current deposits increased by NPR 185 million and savings deposits increased by NPR 3.875 billion, improvising on Nepal Rastra Bank’s aim on increasing retail business in the banking sector. Also, retail lending exposures increased by NPR 1.395 billion in the entire retail loan portfolio of the Bank. The net profit of the Bank stood at NPR 1,198.50 million and we have proposed dividend of 11 percent for FY 2019/20.

CASA DEPOSIT



The economy in review period, which was smoothly moving forward; plunged into worst ever downfall caused by the global pandemic of Covid 19 as stringent lockdown measures was adopted by the government to contain the spread of virus in the country. The restrictions thus imposed completely halted the economy; slowing down the overall growth of the economy and declined the profits of banking sector as well. We, as a Bank, believe that we are the major contributor in supporting the country's economy and should contribute to the sustainability of those hard hit by the pandemic. Hence, in spite of high chances of major setback in interest income of the Bank, we have provided discount on interest and provided interest rebate of 2% to Covid 19 impacted borrowers. We have also postponed the recovery measures of the defaulting borrowers in the review period.

We truly value that "Change is the only constant" and "survival of the fittest" hence we are always working on adopting new technologies and offering improved digitization based services to our customers. The Bank is always looking for the opportunities for improvement in the system and operations to achieve higher customer satisfaction.

We are proud to serve lakhs of customers in the high alert situation of Covid 19 pandemic that has made our team and us proud. Several staffs and sometimes-entire branch affected by the infection backlashed us; still we were resilient enough in providing what we are supposed to. We have been focusing more on improving customer experience and become one of the most trusted brands of the Nepalese Banking Industry. In the review period, we have issued bond of NPR 2.5 Billion for compliance with regulatory requirements, which was oversubscribed. This shows the trust and belief our stakeholders have on us. We have always believed in rendering our efforts for healthy growth of assets quality and elevation of the customer banking experience across all branches and platforms.

Success and failure of every organization depends on its Human resource. Achievements and Successes are not the matter of a day and not the sole work of one person. Our proud team of 1,091 number of employees giving their maximum effort with full commitment, hard work and dedication has brought our Bank where it is today. We always try to bring in the best talents into our system so that we keep going in every situation. Soaring high in achievements yet staying down to earth is totally engraved in our organizational culture which brings us to the system where we welcome our customers with an authentic Nepali greeting of "Namaste" to always stay humble and boost the morale in every interaction we have. The working environment at our institution is at par and the best in the industry yet we are still looking for avenues to improve. Collaboration amongst departments, teams, regular trainings and visits, corporate get together, care for dependents of staffs has boosted the morale and enthusiasm of our team. The disagreement and suggestion of all the stakeholders are considered instantly to make them feel involved. We are humbled with the efforts of our workforce who have relentlessly served us in the tough times of Covid 19 and as a way of providing safety net to our employees we have done medical coverage against Covid 19. We have also provided sanitizers, masks, gloves, disinfectants and face shields to staffs and constructed special glass barriers in Teller areas to contain the transmission of Covid 19 virus.

We are always devoted towards our society and we strive to prioritize Sustainable Development Goals for which we have conducted several activities during the FY 2019/20 as a way to fulfill our promises to contribute towards the development of the community and the nation as a whole. We have contributed 58% of our total CSR expense for supporting health sector through financial assistance to stakeholders and local bodies of each provinces for purchasing COVID shields like sanitizers, masks, gloves, disinfectants, thermal guns, face shields, etc. Likewise, we have contributed 20% in education sector for development of infrastructure and toilets in schools, and provided scholarships to under privileged, poor and hard working students.

We recognize the integral role that we have to play in helping society to emerge stronger from the Covid 19 pandemic. Our strategy is clearly focused on digitization, innovation and building customer trust to seamlessly deliver personal and professional financial services to the customers and clients across multiple channels anywhere and anytime. We promise to deliver the best of our performance, standing as one of the leading bank in the Nepalese banking industry.

I thank my Board of Directors, shareholders, customers, regulatory agencies and my colleagues for the continuous support provided to the Bank.

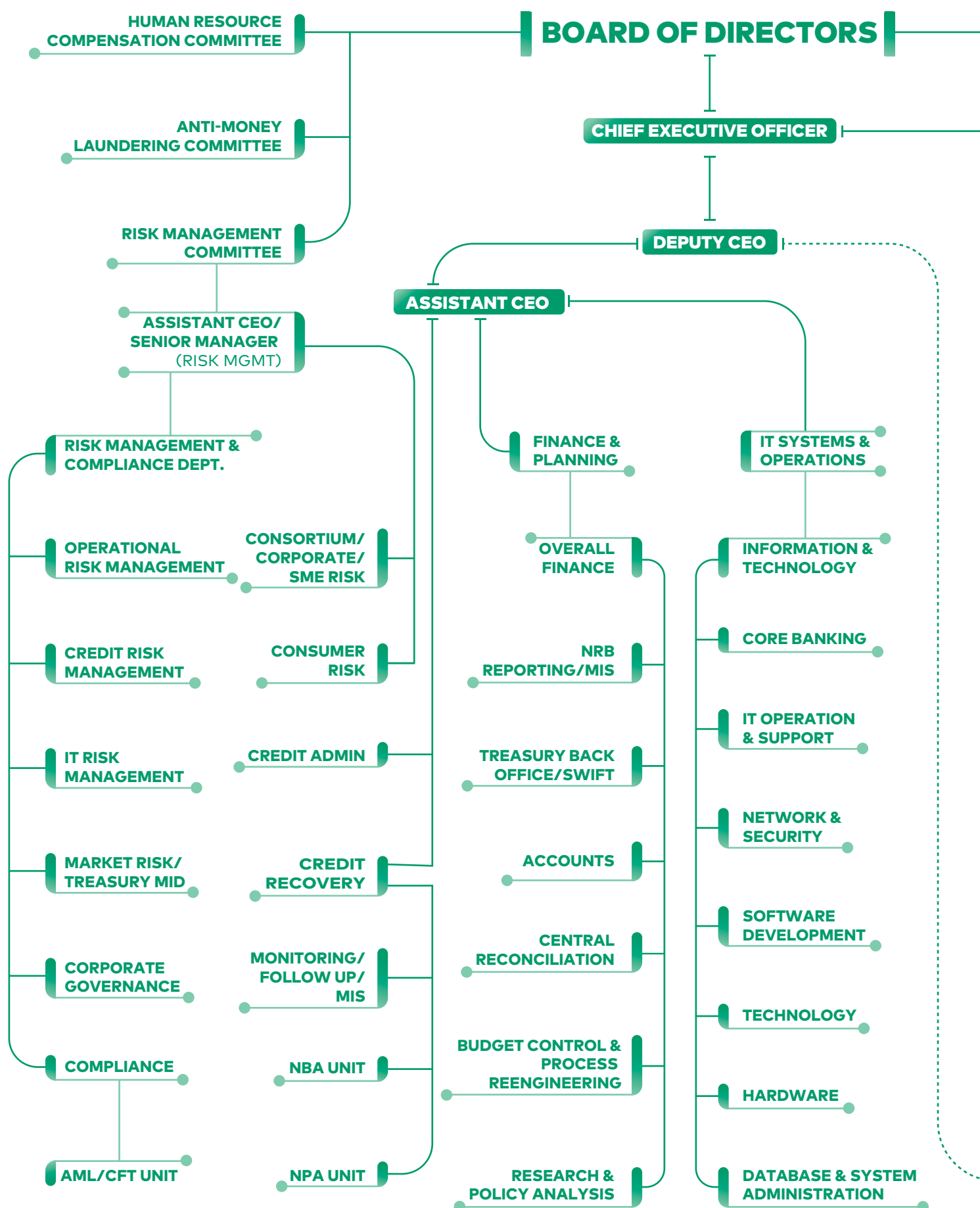
Thank You!!

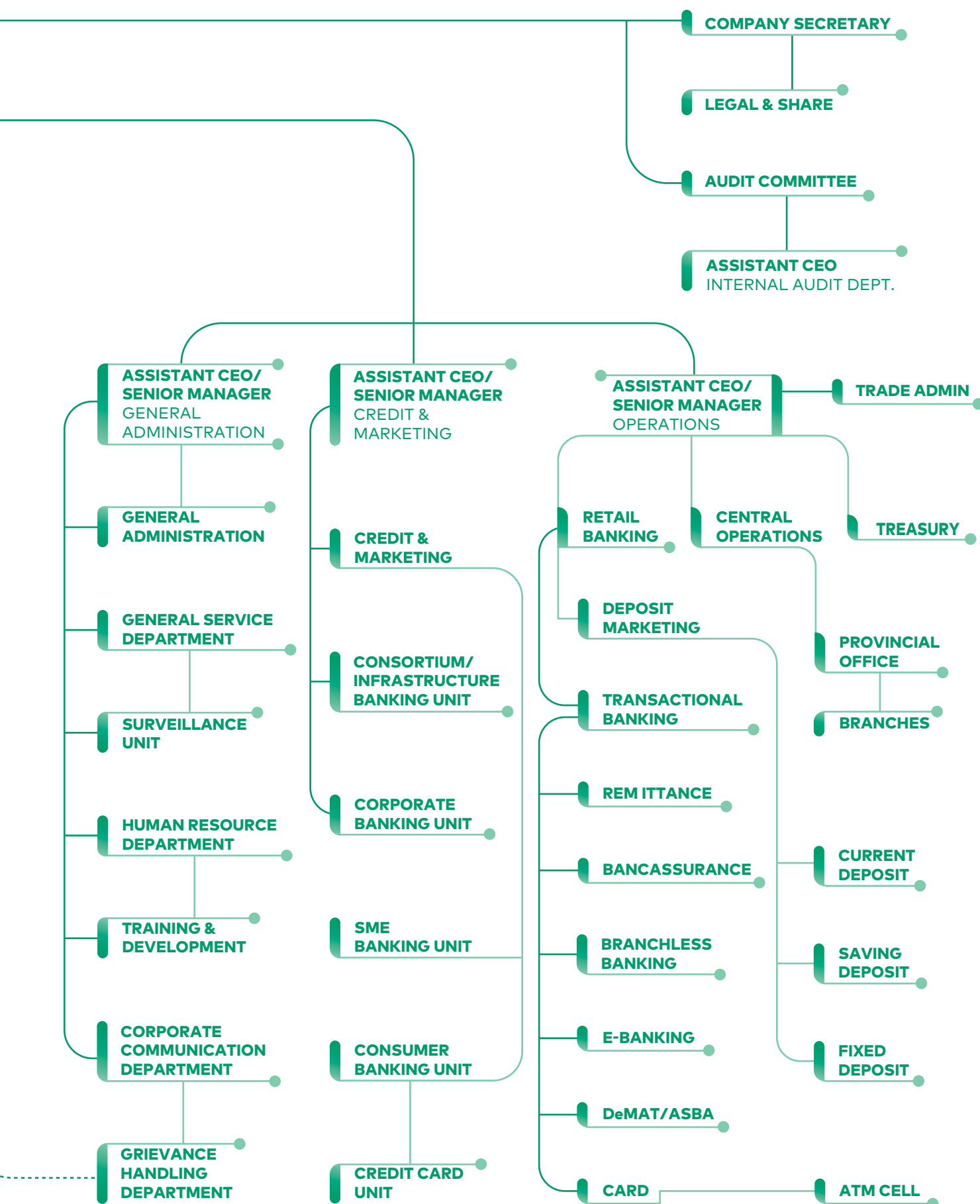
GANESH RAJ POKHAREL

Chief Executive Officer



ORGANOGRAM





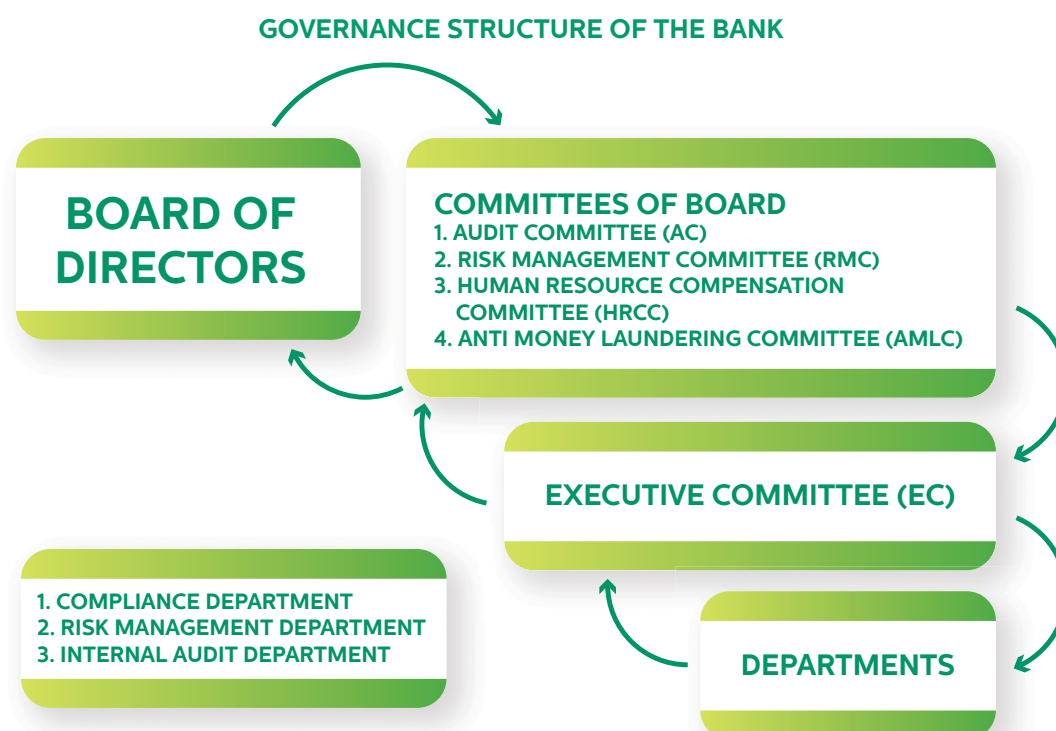
CORPORATE GOVERNANCE

BANK'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is a process that aims to meet stakeholders' aspirations and societal expectations. It is not a discipline imposed by a regulator, but is a culture that guides the Board, Management and Employees to function towards best interest of stakeholders. At Citizens Bank International Limited, the Corporate Governance philosophy stems from the belief that Corporate Governance is a key element in improving efficiency and growth as well as enhancing investor's confidence. The Bank strongly believes in ethical values and self-discipline to achieve higher standard of Corporate Governance and continues to strive for excellence in business operations through transparency, accountability to its stakeholders, government, regulators and others who deal with the Bank.

At the core of Corporate Governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Bank. The Bank believes that an active, well informed and independent Board is necessary to ensure the highest standards of Corporate Governance. The Bank's Corporate Governance practices are aimed at meeting the Corporate Governance requirements as per the acts, rules and regulations formulated by Nepal Government, Nepal Rastra Bank, Securities Exchange Board of Nepal (SEBON), BIS–Corporate Governance Guidelines, besides good practices either recommended by professional bodies or practiced by leading Banks/ companies in Nepal.

The Governance structure of the Bank is reflected by the following flow chart. The information flows upwards and the authority flows downwards.



The Bank is committed to the best practices in the area of corporate governance. The Bank is devoted to align the actions of executive management with the interest of shareholders. It aims to propel the business to greater commercial success with good corporate governance. The major objectives can be summarized as following:

- To contribute to improved corporate performance and accountability in creating long term shareholder value.
- To ensure independent and effective audit process, system of internal controls and compliance with laws and regulations.
- To ensure compliance with applicable laws and regulations and with the basic principles of integrity, transparency and clear communication.
- To enable robust and regular financial and management reporting, fostering confidence in business from the funders as well as the investors.
- To lead to improved reporting on performance with the managers equipped to make higher quality decisions that can drive an increase in business volume and margins and a reduction in costs.

1. BOARD OF DIRECTORS

There are various policies and laws that govern the functioning of the board. They are:

- Bank and Financial Institutions Act, 2017 (2073),
- Nepal Rastra Bank Act, 2002 (2058),
- Companies Act, 2006 (2063),
- Memorandum of Association (MOA) and Articles of Association (AOA) of the Bank,
- Code of Conduct,
- Directives and circulars issued by the regulatory authorities,
- NRB Directive No.6-Provision related to Corporate Governance,
- Other Acts as applicable.

Similarly the various policies and bye-laws formulated by the Board govern the Senior Management and the Bank as a whole. They are:

- Memorandum of Association (MOA) & Articles of Association (AOA) of the Bank,
- Employee Bye-laws,
- Financial Bye-laws,
- Code of Conduct,
- BOD Self-Assessment Policy,
- BOD Meeting Manual,
- BOD Conflict of Interest Management Policy,
- Other Policies/Bylaws as applicable.

A. COMPOSITION OF THE BOARD

In terms of Clause 14(1) of the Bank and Financial Institutions Act, 2006 (Amendment 2017) and Memorandum Of Association (MOA), Articles of Association (AOA), Companies Act, 2006 the Board of Directors of the Bank shall consist of a minimum 5 and maximum of 7 directors.

The composition of Board of Directors of the Bank as on July 16, 2019 is as under:

1	Mr. Rajan Singh Bhandari	Chairman
2	Mr. Prakash Chandra Mainali	Director
3	Mr. Bijaya Dhoj Karki	Director
4	Mrs. Seeta Karki (K.C.)	Director
5	Mr. Prabal Jung Pandey	Director
6	Mr. Sajan Sharma	Director
7	Mr. Sudesh Khaling Rai	Professional Director

B. APPOINTMENTS/CESSATION OF DIRECTORS DURING THE REPORTING PERIOD

• Appointments

- Directors Mr. Rajan Singh Bhadari, Mr. Prabal Jung Pandey and Mr. Sajan Sharma were elected from Promoter Group from 13th AGM held on October 17, 2019.
- Director Ms. Seeta Karki (K.C.) was elected from Public Group from 13th AGM held on October 17, 2019.
- Director Mr. Sudesh Khaling Rai was appointed as Professional Director by BOD meeting number 320 held on November 22, 2019.

• Cessations

- The tenure of Directors Dr. Shankar Prasad Sharma, Mr. Bal Krishna Prasai, Mr. Pabitra Kumar Karki and Dr. Chanda Karki was completed from September 27, 2019.
- The tenure of Professional Director, Mr. Avanindra Kumar Shrestha was completed from October 17, 2019.

C. BOARD MEETING

During the reporting period July 17, 2019 to July 15, 2020 (Shrawan 1, 2076 to Ashadh 31, 2077), 33 Board Meetings were held on following dates, against minimum of 12 meetings in fiscal year and difference of two consecutive meetings not exceeding 60 days as per mandatory provisions under section 21 (1) of Bank and Financial Institutions Act, 2017. Out of 33 Board meetings, six (6) decisions were conducted through "Resolution by circulation".

The detail of held Board Meetings held during the year 2019/20 (2076/77) are as under:

Shrawan	Bhadra	Ashwin	Kartik	Mangsir	Poush	Magh	Falgun	Chaitra	Baisakh	Jestha	Ashadh
Jul/Aug	Aug/Sept	Sept/Oct	Oct/Nov	Nov/Dec	Dec/Jan	Jan/Feb	Feb/Mar	Mar/Apr	Apr/May	May/Jun	Jun/Jul
2	4	4	4	2	3	2	2	3	1	3	3

Details of meetings of the Board of Directors during the FY 2019/20

Total number of meetings held 27
Total number of resolutions by circulation 06

NAME OF THE DIRECTOR	NO OF MEETINGS ATTENDED	MEETING FEE PER PERSON (NPR)	RESOLUTION BY CIRCULATION
Mr. Rajan Singh Bhandari	25/25	13,000	4
Mr. Prakash Chandra Mainali	33/33	11,000	4
Mr. Bijaya Dhoj Karki	32/33	11,000	6
Mrs. Seeta Karki (K.C.)	25/25	11,000	4
Mr. Prabal Jung Pandey	23/25	11,000	4
Mr. Sajjan Sharma	21/25	11,000	4
Mr. Sudesh Khaling Rai	16/17	11,000	2
Dr Shankar Prasad Sharma*	8/8	13,000	2
Mr. Bal Krishna Prasai*	8/8	11,000	2
Mr. Pavitra Kumar Karki*	6/8	11,000	2
Dr. Chanda Karki*	8/8	11,000	2
Mr. Avanindra Kumar Shrestha**	10/10	11,000	2

* The tenure of directors was completed on September 27, 2019 and new directors were elected from 13th AGM held on October 17, 2019.

** The tenure of professional director was completed on October 17, 2019 and new professional director was appointed on November 22, 2019 by BOD meeting number 320.

Major Agendas discussed in the Board meeting for FY 2019/20 are summarized as follows:

- Review on Bank's Quarterly and Annual Progress Report for FY 2019/20.
- Review and reply on Preliminary Report of Auditor of FY 2018/19.
- Approval of Financial Statement of the FY 2018/19 and seeking approval from NRB to distribute proposed dividend and bonus share.
- Approval of Director's Report and documents to be sent to Office of Company Registrar, as per Section 78 and 109 of Companies Act, 2006.
- Review and discussion of reports of Risk Management Committee and issue necessary instruction to the management.
- Review and discussion of reports of Risk Management Committee and issue necessary instruction to the management.
- Review and discussion of reports of Audit Committee and issue necessary instruction to the management.
- Review of existing policies and frameworks of the Bank and approve amendments.
- Review of Self-Assessment Report of the Board of Directors.
- Discussion on the issues and effects that arose from the Unified Directives 2019 by Nepal Rastra Bank for the FY 2019/20.
- Discussion on Bank's response to Nepal Rastra Bank on Onsite Inspection Report of 2019.
- Review on issues raised by NRB inspection report 2019.
- Discussion on Internal Audit Report on Indian Currency Transaction.
- Discussion on various threats and its impact related to IT and ways to minimize such IT related risks in future.
- Decision on establishing of Bank's provincial office, extension counter, branches and shifting of current branches on needful basis.
- Providing approval on transfer/sale of Bank's Promoters Share.
- Formulation of Election Committee for electing new Board of Directors in 13th AGM.

- Discussion regarding agendas to be discussed in Annual General Meeting.
- Approval of date, time and place of Annual General Meeting.
- Discussion on approval and Letter of Intent (LOI) obtained from NRB regarding Acquisition with Sahayogi Vikash Bank Limited and its status.
- Decisions regarding issuance of debenture having maturity of 10 years and interest rate of 10.25% and delegation of authority to CEO for signing agreements and conducting other procedures with regulatory bodies.
- Discussion and decision on various investments to be made in promoter share and right share of different companies.
- Conducting Welcome program to newly Appointed Directors, appointment of Chairman and farewell to Directors.
- Reformation of Board level Committees.
- Appointment of Professional Director.
- Information and decision regarding listing of Bonus Share as approved from 13th AGM and delegating authority to CEO for listing share.
- Discussion on Share Swap Ratio between Citizens Bank International Limited and Sahayogi Vikash Bank Limited and delegating authority to Coordinator of Merger and Acquisition Committee to conclude all the works related to acquisition.
- Discussion on final agreement with Sahayogi Vikash Bank Limited and delegating authority to Coordinator of Merger and Acquisition Committee for signing on final agreement.
- Discussion on Information System Audit report.
- Defining the agendas, date and place for upcoming Special General Meeting (SGM) and decision made on Book Close Date.
- Review of Audit Committee Charter-2016 and Internal Audit Policy-2016.
- Review of Corporate Governance Report to be submitted to SEBON in format as prescribed by SEBON.
- Report on effects and outcomes of COVID-19 pandemic to the Bank's business and performances.
- Discussion made on postponing of pre-defined SGM due to the COVID-19 Pandemic and compliance to the circulars/ instructions issued by Government of Nepal.
- Information regarding allotment of "10.25% Citizens Bank Debenture 2030".
- Discussion and approval of 3 year Strategic plan and Bank's budget of FY 2020/21.
- Approving the recruitments for FY 2020/21 on the basis of work load analysis of departments, Province Offices and Branches.
- Amendment on Organogram of the Bank.
- Approval of date, time and place for 5th SGM.
- Discussion on acquisition and joint transaction with Sahayogi Vikash Bank Limited from July 4, 2020.
- Discussion on listing of share of Sahayogi Vikash Bank Limited in SEBON, NEPSE and CDS & Clearing Limited.
- Discussion on taking over the court cases on behalf of Sahayogi Vikash Bank Limited and to release the blocked shares from NEPSE.

D. CODE OF CONDUCT

The Code of Conduct for Board of Directors and Senior Management Personnel (Core Management Team) comprising all Managers and Departmental Heads, has been approved by the Board of Directors in compliance to Bank and Financial Institutions Act, 2017, Companies Act, 2006, NRB Directives No. 6-Provision related to Corporate Governance and Other Directives and circulars issued by regulatory authorities. All the Board Members and Senior Management Personnel have since affirmed the compliance of the code for the year till reporting period of FY 2019/20 and undertaken continued compliance of the same.

BOARD LEVEL COMMITTEE/ SUB-COMMITTEE OF DIRECTORS/ EXECUTIVES

In terms of the provisions of Directives no. 6 Section 5 of Nepal Rastra Bank and Section 14 and Section 15 of Bank and Financial Institutions Act, 2017, licensed banks and financial institution are allowed to constitute four board level committees relating to Audit Committee, Risk Management Committee, Human Resource Compensation Committee and Anti Money Laundering Committee. Each Board Level Committee can include minimum 3 and maximum 5 members. Committees relating to areas other than these four areas can be formed for a specified period of time and specific purpose. Board of Directors has constituted Board Level Committees which are as follows:

S.NO.	NAME OF THE COMMITTEE	NATURE OF THE COMMITTEE
1	Audit Committee	Permanent Nature
2	Risk Management Committee	Permanent Nature
3	Human Resource Compensation Committee	Permanent Nature
4	Anti-Money Laundering Committee	Permanent Nature
5	Merger and Acquisition Committee	Temporary Nature
6	Digital Transformation Committee	Temporary Nature

1. AUDIT COMMITTEE

Audit Committee has been constituted under the chairmanship of a non-executive director. The Committee of the Board was constituted on July 10, 2007 (Ashadh 26, 2064) and was reconstituted on September 29, 2019 (Ashwin 12, 2076). The Committee functions according to the regulatory provisions of NRB Unified Directives no.6 and the provisions of Sections 164 and 165 of Companies Act, 2006.

Audit Committee constitutes three members in total including two directors nominated by BOD and Head of Internal Audit as Member Secretary. The committee meets regularly as per its charter to discuss and oversee the key issues highlighted by the Internal Audit Department.

Major Responsibility of the Audit Committee:

The Audit Committee provides directions and oversees the operations of total audit functions of the Bank including the organization, operations and quality control of internal audit, internal control weaknesses and inspection within the Bank and follow-up of the suggestions of Statutory/External Auditors of the Bank and NRB inspections. The primary purpose of the Audit Committee is to provide oversight of financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations which includes the following:

- Discuss the financial statements of the Bank and make sure that the disclosed financial information on the Bank's operations is accurate and transparent as specified by accounting regulations and international accounting standards.
- Establish and oversee the Internal Audit Function. Approve the scope of audits, ensure the department's independency, receive and reviews internal audit reports of the Bank.
- Establish adequate accounting and internal control procedures that ensure compliance with applicable laws, regulations and directives. The committee will review and make assessment of the internal control systems and oversee the implementation of proper accounting standard within the institution.
- Review Bank's financial condition, internal controls, audit program and findings of the internal audit team and instruct management to adopt corrective actions on the issues.
- To help management to make annual report accurate and real.
- To receive and review the official written statement by statutory auditors concerning potential conflict of interest and an estimation of the potential influence of these factors on the external auditor's objectivity and independence.
- To review the matters contained in the audit report of the statutory auditors and instruct the management for necessary corrective actions.

- To ensure the Board of Directors that accounts are accurate and fair, along with frequent reviews of the adequacy of provisioning against contingencies and classified loan.
- To review the compliance of the statutory laws, directives issued by NRB and include the same in the internal audit report.
- To review the activities of the Bank in respect of its regularity, economical, logical, effectiveness and give necessary suggestion to the Board of Directors.
- To ensure adequate accounting and internal control procedures are established on compliance with applicable laws, regulation and directives.

Composition of Audit Committee as on reporting date:

MEMBER OF COMMITTEE	DESIGNATION	MEETING ATTENDED
Mr. Avanindra Kumar Shrestha, BOD*	Coordinator	6/6
Dr. Chanda Karki, BOD*	Member	6/6
Mrs. Seeta Karki (K.C.), BOD	Coordinator	8/8
Mr. Sajjan Sharma, BOD	Member	8/8
Mr. Ramdhan Shrestha	Member Secretary	14/14

* The Committee was reconstituted on Ashwin 12, 2076 with two new committee members, Ms. Seeta Karki (K.C.) (as Coordinator) & Mr. Sajjan Sharma (as Member) replacing Avanindra Kumar Shrestha and Dr Chanda Karki.

Details of Audit Committee meeting during FY 2019/20

Total No. of meetings held 14

Shrawan	Bhadra	Ashwin	Kartik	Mangsir	Poush	Magh	Falgun	Chaitra	Baisakh	Jestha	Ashadhh
Jul/Aug	Aug/Sept	Sept/Oct	Oct/Nov	Nov/Dec	Dec/Jan	Jan/Feb	Feb/Mar	Mar/Apr	Apr/May	May/Jun	Jun/Jul
1	4	1	1	1	1	-	1	-	1	1	2

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mrs. Seeta Karki (K.C.), BOD	8/8	11,000
Mr. Sajjan Sharma, BOD	8/8	11,000
Mr. Avanindra Kumar Shrestha, BOD*	6/6	11,000
Dr. Chanda Karki, BOD*	6/6	11,000

* The Committee was reconstituted on September 29, 2019 after completion of tenure of directors and professional director.

Major Agendas discussed in the meeting of Audit Committee:

- Discussion on financial review report for various quarters for FY 2019/20.
- Discussion on Half yearly INR compliance Report of CBIL FY 2019/20.
- Reviewed the Audit Committee Charter- 2016 and Internal Audit Manual-2016.
- Reviewed the Internal Audit Reports of branches & departments of the Bank and made various recommendations to the management.
- Reviewed the Report of Information System Audit 2019/20.
- Reviewed various branches special/surprise audit reports and provided various recommendations to management to enhance internal control.
- Discussion on Preliminary Audit Report for FY 2018/19 of the Bank given by external auditor and management response thereon.
- Recommendation for appointment and remuneration of external auditor for FY 2019/20 to Annual General Meeting of the Bank.

2. RISK MANAGEMENT COMMITTEE

The Bank has constituted a five member Risk Management Committee (constituting of 3 BOD members, Chief Operating Officer and Chief Risk Officer) for review of risks associated with Credit, Operations, Market, investment and ALCO functions, concentration risk, policy risk, compliance risk and portfolio risk. The committee was constituted on December 17, 2010 (Poush 2, 2067) under Risk Management Guidelines of Nepal Rastra Bank and NRB Directives. The committee was last re-constituted on September 29, 2019 (Ashwin 12, 2076).

Major Responsibility of Risk Management Committee:

- To appraise the Board of Directors as to the appropriateness of the existing risk identification and management system as well as suggest for development of an appropriate system.
- To review the level of risk associated with the business, risk bearing capabilities, development of strategies, policy arrangements as well as guidelines adopted towards risk management and suggest to the Board of Directors as to their appropriateness.
- To obtain report from the management on risk management on a regular basis; discuss as to assess and evaluate the risk under existing system, control and monitoring mechanism and submit necessary suggestions to the Board.
- To analyze and review Capital adequacy as per the risk assets, internal capital adequacy assessment plan (ICAAP), appropriateness of policies as per the business strategy, maximum level of risk the organization may assume and submit necessary recommendation, opinion to the Board.
- To suggest the Board of Directors for development of mechanism and necessary policies as may be necessary as per the appropriate practices as well as internal limits to be fixed by the organization as per the guidelines/directives issued by Nepal Rastra Bank relating to Risk Management.
- Conduct stress testing on a regular basis and discuss the outcome and on that basis submit recommendations to the Board as to the policies and procedures that are necessary for adoption in future.
- To review the authority delegation and analyze its appropriateness and submit report along with the recommendation to the Board of Directors.
- To review on quarterly basis the assets structure, mobilization status of such assets, yield from the assets, improve/deterioration in assets quality, as well as performance of Assets Liabilities Committee (ALCO) and submit report to the Board.
- To study the effect on to the financial institutions brought about by any problem or changes arising in any sector of the economy and submit a report to the Board of Directors along with the suggested policies for countering such as situation.

Composition of Risk Management Committee during the reporting period:

MEMBER OF COMMITTEE	DESIGNATION	MEETING ATTENDED
Mr. Prakash Chandra Mainali, BOD	Coordinator	7/7
Mr. Avanindra Kumar Shrestha, BOD*	Member	1/1
Mr. Prabal Jung Pandey, BOD	Member	6/6
Mrs. Seeta Karki (K.C.), BOD	Permanent Member	6/6
Mr. Paras Kumar Kafle, Chief Operating Officer	Member	7/7
Mr. Rajendra Lal Shrestha, Chief Risk Officer	Member Secretary	7/7

* The Committee was reconstituted on September 29, 2019 after completion of tenure of directors and professional director. Details of Risk Management Committee meeting during FY 2019/20.

Details of Risk Management Committee Meeting during FY 2019/20

Total No. of meetings held

07

Shrawan	Bhadra	Ashwin	Kartik	Mangsir	Poush	Magh	Falgun	Chaitra	Baisakh	Jestha	Ashadhh
Jul/Aug	Aug/Sept	Sept/Oct	Oct/Nov	Nov/Dec	Dec/Jan	Jan/Feb	Feb/Mar	Mar/Apr	Apr/May	May/Jun	Jun/Jul
-	1	-	1	1	2	-	1	-	1	-	-

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mr. Prakash Chandra Mainali, BOD	7/7	11,000
Mrs. Seeta Karki (K.C.), BOD	6/6	11,000
Mr. Prabal Jung Pandey, BOD	6/6	11,000
Mr. Avanindra Kumar Shrestha, BOD*	1/1	11,000

* The Committee was reconstituted on September 29, 2019 after completion of tenure of directors and professional director.

Major Agendas discussed in the meeting of Risk Management Committee:

- Review of Risk Management Reports of Mid July 2019, Mid October 2019, Mid January 2020 and Mid April 2020.
- Review and discussion related to Value At Risk Analysis for Foreign Exchange Risk/ Equity Risk.
- Review and discussion regarding Quarterly ICAAP Implementation report.
- Review and discussion regarding Report on Banks Own Scenario for Stress Testing.
- Discussion on Impact of Monetary Policy 2019/20 and NRB circulars.
- Discussion on review/changes/impact in Unified Directives 2019, NRB.
- Discussion on HHI Measure for Concentration Risk (Sector wise loan Portfolio Analysis).
- Discussion on Risk Tolerance and appetite limit as per Risk Management Framework.
- Discussion on Credit Shocks, Market Shock and liquidity shocks as per regulatory requirement.
- Discussion on Deposit Concentration, Single Obligor exposure, Product Wise loan exposure, Sector Wise Loan exposure.
- Discussion on Operational loss database as per Operational Risk Management Framework.
- Discussion regarding half Yearly review of Strategy for financing Working Capital loan.
- Discussion on Measurement of Exchange rate shocks, Measurement of Exposure on proprietary/Nonproprietary derivative transactions, measurement of Interest rate Shock, Equity Price shock as required by Market Risk management Policy.
- Review of level of Operation In charge.
- Gap analysis of Operational Risk Management.
- Discussion regarding Agenda/ Issues discussed in ORMC meeting.
- Overall credit portfolio analysis.
- Review and discussion on Credit Risk Report (Risk asset portfolio, LLP, NPA, Waivers, exceptions, etc)
- Discussion of Industry Analysis in Credit Risk.
- Review and discussion in Report on Impact of COVID-19 on Bank's Portfolio.
- Discussion on Web Site Scan Report.
- Discussion on Summary of IS Audit 2019 with its status.
- Discussion in Case study of ATM Hack with its security.
- Discussion in Way Forward of IT Risk.
- Discussion on Quarterly review report of AML/CFT.
- Current Implementation status of various policies of Risk Management.
- Review of various Policies of the Bank.

3. HUMAN RESOURCE COMPENSATION COMMITTEE (HRCC)

Human Resource and Compensation Committee of the Board was constituted on December 25, 2006 (Poush 10, 2063). The committee functions according to the NRB Directives. The committee was last re-constituted on September 29, 2019 (Ashwin 12, 2076).

Major Responsibility of the Human Resource Compensation Committee:

The committee is persistent to set the principles and parameters of the Bank's remuneration policy and to oversee remuneration policy and outcomes. The purpose of the committee is to consider, agree and recommend to the Board on overall remuneration policy and philosophy for the Bank that is aligned with its long term business strategy, its business objectives, its risk appetite, values and the long term interests and recognizes the interests of relevant stakeholders which includes:

- To formulate remuneration policy; set the general objectives and priorities in relation to production and utilization of human resources and define the general strategies and make the choices needed to achieve the objectives.
- Determine the design and targets for any annual performance related pay schemes operated by the Bank and subsequently, review individual's performance against these targets and agree any payments proposed.
- Review and approve the overall incentive spend.
- Determine the design of eligibility for and targets for, any long term performance related pay schemes operated by the Bank and subsequently, review the performance against these targets and agree any payments proposed.

- Agree the policy for authorizing claims for expenses and ensure that all the incentive plans comply with relevant legislation, codes of conduct and good remuneration practice.
- Review the report on the operation of remuneration policy and its effectiveness including procedures and processes to avoid conflict of interest to note the arrangements in place to ensure employees receive adequate information to understand the requirements of the Remuneration Policy and the Remuneration Code.
- To provide necessary support to the Board of Directors in developing Employee Compensation and Benefit Determination Policy.
- To evaluate and assess the parameters of benefits and compensation package of the Bank and review the impact of changes in such benefits in the market and recommended changes from time to time.
- To review the existing compensation package including that of the Chief Executive Officer in line with the industry and if required proposes amendments in the package to the Board of Directors.
- To develop and evaluate the parameters of job description, targets and goals and assess the performance evaluation criteria.
- To develop policy and parameters related to recruitment and selection, appointment, placement, transfer, promotion, personnel development, performance evaluation, reward and punishment and recommend to the Board of Directors.
- To develop Human Resource Policy, Organization Chart and Manpower Planning along with Succession Planning and recommend it to the Board of Directors.

Composition of Human Resource Compensation Committee during the reporting period:

MEMBER OF COMMITTEE	DESIGNATION	MEETING ATTENDED
Mr. Bal Krishna Prasai, Director*	Coordinator	3/3
Mr. Bijaya Dhoj Karki, Director**	Coordinator	9/9
Mr. Sudesh Khaling Rai, Director***	Member	1/1
Mr. Ganesh Raj Pokharel, Chief Executive Officer	Member	12/12
Ms. Umang Sharma, Chief Administrative Officer****	Member Secretary	6/6
Mr. Pramesh Raj Kayastha, Chief Finance Officer	Member	11/12
Ms. Smita Pant, Head - Human Resource Department*****	Member Secretary	6/6

*Mr. Bal Krishna Prasai no longer member of the committee with effect from September 28, 2019.

**Mr. Bijaya Dhoj Karki appointed as member of the committee with effect from September 29, 2019

***Mr. Sudesh Khaling Rai appointed as member of the committee with effect from January 19, 2020.

****Ms. Umang Sharma no longer member of the committee since January 18, 2020.

*****Ms. Smita pant appointed as member secretary of committee with effect from January 19, 2020.

Details of Human Resource Compensation Committee meeting during FY 2019/20

Total No. of meetings held 13

Shrawan	Bhadra	Ashwin	Kartik	Mangsir	Poush	Magh	Falgun	Chaitra	Baisakh	Jestha	Ashadhh
Jul/Aug	Aug/Sept	Sept/Oct	Oct/Nov	Nov/Dec	Dec/Jan	Jan/Feb	Feb/Mar	Mar/Apr	Apr/May	May/Jun	Jun/Jul
	2	1	1	2	-	-	-	-	2	1	3

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mr. Bijaya Dhoj Karki	9/9	11,000
Mr. Sudesh Khaling Rai	2/4	11,000
Mr. Bal Krishna Prasai	3/3	11,000

Major Agendas discussed in the meeting of Human Resource Compensation Committee:

- Discussion on amendment and finalization of Human Resource Management Policy (HRM Policy), 2019 along with information sharing about medical limit of staff to the committee.
- Discussion and decision for providing allowance (EOD Allowance, Morning Duty Allowance, Lunch/ Dinner Allowance during holidays/ Quarter End/ Night Work) to staff working at IT Department.

- Discussion on amendment in Employee Byelaws 2018 Annexure 8 (Aa- Staff Vehicle Facility) and (Cha- Citizens Special Welfare Fund).
- Discussion on Branch Categorization and approval of Compensation Determination Guidelines (Parishramik Nirdharan Niti).
- Discussion and subsequent approval of Branch Categorization/ Workload Analysis of department and province office.
- Discussion and recommendation of Manpower Plan 2020/21 as per Workload Analysis.
- Amendment in Annexure 8 (Gha) related to Advance Salary of Employee Byelaws, 2018.
- Amendment in Human Resource Management Policy Point No 4. "Hiring" (Submission of Police Report for new recruits in line with IS Audit recommendation).
- Discussion on revision of salary structure of the Bank along with the benefits provided to staff.
- Discussion and recommendation for Outsourcing Internal Audit Function of the Bank.
- Discussion and recommendation of Manpower Plan 2020/21 as per Workload Load Analysis of department, province office and branches to Board.
- Amendment in Organization Chart of the Bank.
- Reformation of Human Resource Compensation Committee.
- Decision regarding consideration of service period of staff of Sahayogi Vikash Bank Limited (acquired); who were hired from permanent position to contract.
- Information and discussion regarding Performance Incentive Model and the cost for its implementation.

4. ANTI MONEY LAUNDERING COMMITTEE (AMLC)

The Bank has constituted AML Committee to analyze as well as to monitor the AML/CFT related issue that arises in the Bank. The objective of this committee is to co-ordinate with all the various inter related departments as well as regulatory body to oversight the AML related issues timely and to take necessary corrective actions. The committee meets regularly on a quarterly basis.

AML Committee has been constituted under the chairmanship of a non-executive director. The Committee of the Board was constituted on August 17, 2017 (Bhadra 01, 2074).

The committee is authorized to:

- Ensure the rigorous implementations of the Board approved framework for risk and compliance management, including the approval of relevant policies and procedure.
- Request and receive sufficient information to satisfy that the AML compliance is operating as intended.

Major Responsibility of the Anti-Money Laundering Committee:

The Committee is responsible for ensuring effective operation of AML functions. The responsibilities of the Committee with respect to these risks include the following:

- To assess the implementation status of Asset (Money) Laundering Prevention Act, 2008, Asset (Money) Laundering Prevention Rules, 2017 and NRB Directive No. 19 and report to Board of Directors.
- To formulate and implement the Customer Acceptance Policy of the Bank.
- To present the Quarterly Review Report assessing the implementation status of Money Laundering and Terrorism Financing related Act, Rules and Directives to Board of Director.
- To discuss and suggest to Board of Director regarding the policy and institutional reforms needed for effective CDD, ECDD and PEP information through the use of Information Technology.
- To ascertain the effectiveness of the mechanisms put in place by the Bank for AML/CFT Compliance, monitoring of unusual transactions, and reporting to concerned authorities and present to Board of Directors for discussions.

- To conduct Knowledge Sharing program regarding AML/CFT to the Implementing Officer, Shareholders holding more than or equal to 2% shares of paid-up capital, Senior Management and staffs engaged directly and regularly in the work of AML/CFT.

Composition of Anti Money Laundering Committee as on reporting date:

MEMBER OF COMMITTEE	DESIGNATION	MEETING ATTENDED
Mr. Sajan Sharma, BOD*	Coordinator	3/4
Mrs. Seeta Karki (K.C.), BOD**	Member	3/4
Mr. Rajendra Lal Shrestha, Chief Risk Officer	Member	4/4
Mr. Ravi Kr. Rauniyar***	Member Secretary	3/4

* Mr. Sajan Sharma was appointed as the Coordinator of the Committee replacing Mr. Pavitra Kumar Karki from September 29, 2019

** Mrs. Seeta Karki (K.C.) was appointed as Member of the Committee replacing Mr. Bijaya Dhoj Karki from September 29, 2019.

*** Mr. Ravi Kr. Rauniyar was appointed as Member Secretary of the Committee from September 29, 2019.

Details of Anti Money Committee meeting during FY 2019/20

Total No. of meetings held 4

Shrawan	Bhadra	Ashwin	Kartik	Mangsir	Poush	Magh	Falgun	Chaitra	Baisakh	Jestha	Ashadhh
Jul/Aug	Aug/Sept	Sept/Oct	Oct/Nov	Nov/Dec	Dec/Jan	Jan/Feb	Feb/Mar	Mar/Apr	Apr/May	May/Jun	Jun/Jul
-	1	-	1	-	-	1	-	-	-	1	-

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mr. Sajan Sharma, BOD	3/3	11,000
Mrs. Seeta Karki (K.C.), BOD	3/3	11,000
Mr. Bijaya Dhoj Karki, BOD*	1/1	11,000
Mr. Pavitra Kumar Karki, BOD*	1/1	11,000

* The Committee was reconstituted on September 29, 2019 after completion of tenure of directors and professional director.

Major Agendas discussed in the meeting of Anti Money Laundering Committee:

- Review and discussion in Quarterly AML/CFT- Compliance Review Report.
- Discussion on GAP Analysis and implementation of NRB Directive 19 and Asset (Money) Laundering Rule, 2017.
- Discussion on reporting of Threshold Transaction Reports (TTR) and Suspicious Transaction Reports (STR).
- Discussion on training and awareness to employees with importance of AML/KYC.
- Review and discussion on Guidelines on Monitoring of Accounts/Transactions and STR Reporting 2020.
- Review of AML/CFT Policy, 2019 and AML/CFT Procedures 2020.
- Review of Sanction Screening Policy, 2019.
- Review of Risk Assessment Report 2018/19.
- Review of Terms of Reference of AML Committee.

5. MERGER AND ACQUISITION COMMITTEE

Merger and Acquisition Committee was formed under the coordination of non-executive director Mr. Pavitra Kumar Karki on September 27, 2019 for identifying suitable Banks and financial institutions for merger and acquisitions. The committee was reconstituted on September 29, 2019.

Major Responsibility of Merger and Acquisition Committee

- Identify suitable Banks and financial institutions for merger and acquisitions.
- Make strategic plan for mergers and acquisitions.
- Initiate Memorandum of Understanding.
- Analyzing the impact of share swap ratio and other factors related to acquisitions.
- Fixation of joint transaction date and formulating modality of works after joint transactions.

Composition of Merger and Acquisition Committee during the reporting period:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Mr. Pabitra Kumar Karki, BOD*	Coordinator	2/22
Mr. Bal Krishna Prasai, BOD**	Member	2/22
Mr. Prakash Chandra Mainali, BOD	Member	22/22
Mr. Prabal Jung Pandey, BOD	Coordinator	20/22
Mr. Bijay Dhoj Karki, BOD	Member	17/22
Mrs. Seeta Karki (K.C.), BOD	Member	2/22
Mr. Ganesh Raj Pokharel, CEO	Member Secretary	7/22

* The Committee was reconstituted on September 29, 2019 after completion of tenure of directors and professional director.

Details of Merger and Acquisition Committee meeting during FY 2019/20

Total No. of meetings held 22

Shrawan	Bhadra	Ashwin	Kartik	Mangsir	Poush	Magh	Falgun	Chaitra	Baisakh	Jestha	Ashadhh
Jul/Aug	Aug/Sept	Sept/Oct	Oct/Nov	Nov/Dec	Dec/Jan	Jan/Feb	Feb/Mar	Mar/Apr	Apr/May	May/Jun	Jun/Jul
-	-	-	-	-	-	-	-	1	1	1	19

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mr. Prabal Jung Pandey, BOD	20/20	11,000
Mr. Prakash Chandra Mainali, BOD	22/22	11,000
Mr. Bijaya Dhoj Karki, BOD*	17/20	11,000
Mrs. Seeta Karki (K.C.), BOD	2/2	11,000
Mr. Pavitra Kumar Karki, BOD*	2/2	11,000
Mr. Bal Krishna Prasai, BOD*	2/2	11,000

* The Committee was reconstituted on September 29, 2019 after completion of tenure of directors and professional director.

Major agendas discussed in Merger and Acquisition Committee meeting:

- The committee completed the task of identifying suitable banks and financial institutions for mergers and acquisitions, and the strategic plan of mergers and acquisitions of the Bank had been prepared and implemented.
- Appointed valuator for acquisition of Sahayogi Vikash Bank Limited.
- Formulated different plans to conduct preliminary works regarding joint transaction and discussed various agendas like compliance issues, staff related matters, Audit status, etc throughout the acquisition process of Sahayogi Vikash Bank Limited.
- The committee discussed on the DDA Audit Report of Sahayogi Vikash Bank Limited and analyzed the impact of Acquisition as per SWAP Ratio.
- Discussion and finalization of share SWAP ratio as per DDA report.
- Discussion on agendas and fixation of AGM/SGM date, tenure of directors of Sahayogi Vikash Bank Limited.
- Discussion on obtaining final approval from Nepal Rastra Bank and clearance from Office of Company Registrar and other concerned regulatory bodies for acquisition.
- Discussion on fixing joint transaction date and modality of operations after acquisition.

6. DIGITAL TRANSFORMATION COMMITTEE

Digital Transformation Committee was formed under the coordination of non-executive director for expansion of business based on Information Technology. The committee was formed on February 10, 2020.

Major Responsibility of the Land and Building Management Committee:

- Analysis of Digital Products implemented across South Asian regions. Also look for the future Banking Products implemented in South Asian regions and across the globe.

- Prepare long term and short term plan of Digital Products.
- Provide detailed report to Board of Directors on Future need of digital banking to replace services provided by physical branches
- Review the plan and procedure developed for implementation of Digital Banking Products and provide suggestions to Board of Directors.
- Regular monitoring of reports on Digital Banking as presented by Management.

Composition of Digital Transformation Committee during the reporting period:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Mr. Sajan Sharma, BOD	Coordinator	4
Mr. Sudesh Khaling Rai, BOD	Member	4
Mr. Sanjeeb Kumar Shrestha, Chief Information Technology officer	Member Secretary	4

Details of Digital Transformation Committee meeting during FY 2019/20

Total No. of meetings held 04

Shrawan	Bhadra	Ashwin	Kartik	Mangsir	Poush	Magh	Falgun	Chaitra	Baisakh	Jestha	Ashadhh
Jul/Aug	Aug/Sept	Sept/Oct	Oct/Nov	Nov/Dec	Dec/Jan	Jan/Feb	Feb/Mar	Mar/Apr	Apr/May	May/Jun	Jun/Jul
-	-	-	-	-	-	-	-	1	-	1	2

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mr. Sajan Sharma	4/4	11,000
Mr. Sudesh Khaling Rai	4/4	11,000

Major agendas discussed in Digital Transformation Committee meeting:

- Develop strategy on short term and long term goals of digital transformation of the Bank.
- Formulation and implementation of Terms of Reference for digital transformation of the Bank.
- Implementation of Corporate banking platform.
- Implementation of Call center.
- Implementation of Self-service devices like kiosk.
- Implementation of Chat bot of the Bank.
- Implementation of Green pin of debit /credit card.

MANAGEMENT LEVEL COMMITTEES

The various policies and by-laws formulated by the Board governs the Senior Management and the Bank as a whole. They are:

- Memorandum of Association (MOA) and Articles of Association (AOA) of the Bank,
- Employee Bylaws,
- Financial Bylaws,
- Code of Conduct,
- BOD Self-Assessment Policy,
- BOD Meeting Manual,
- BOD Conflict of Interest Management Policy,
- Other Policies/Bylaws as applicable.

The Bank management has constituted six management level committees for smooth operation and risk management in day to day activities of the Bank. The management level committees are as follows:

1. Executive Committee
2. Assets Liabilities Management Committee
3. Operational Risk Management Committee
4. IT Steering Committee
5. Purchase Committee
6. Recruitment Committee

A. EXECUTIVE COMMITTEE

The Bank, in consonance with the fundamentals of Corporate Governance has constituted a Management Level Committee named as Executive Committee (EC) of the Bank comprising of nine (9) members. This committee represented by all the Chiefs of the Bank is the summit body that manages the Bank's operations on day to day basis. All the Executive members meet formally once a week and informally as and when required.

The Executive Committee of the Bank has the responsibility to direct the business of the Bank vested by law in the Board of Directors in so far as such powers and authority may be lawfully delegated to the Executive Committee; including the power to review and approve proposals and transactions related to credit in amounts within the limits of its delegated authority.

Major responsibilities of the committee:

- The strategies for the Bank are decided and monitored on a regular basis and decisions are taken jointly by this committee.
- Approve and/or implement any and/ or all corporate acts within the competence of the Board.
- Review and approve Bank-wide credit strategy, profile and performance.
- Approve and monitor the risk ranking activities of the Bank, based on the regulations of established approving authorities and reviews and endorse other activities.

The attendance details of EC members/meetings during the FY 2019/20 are as under:

SN	NAME	NO. OF MEETINGS ATTENDED
1.	Ganesh Raj Pokharel, Chief Executive Officer	51/53
2.	Bodh Raj Devkota, Deputy CEO	52/53
3.	Samir Prasad Dahal, Assistant CEO*	1/15
4.	Sumit Babu Khatri, Assistant CEO, Chief Credit Officer (CCO)	45/53
5.	Umang Sharma, Assistant CEO, Chief Administrative Officer (CAO)	50/53
6.	Paras Kumar Kafle, Assistant CEO, Chief Operating Officer (COO)	51/53
7.	Rajendra Lal Shrestha, Assistant CEO, Chief Risk & Recovery Officer (CRRO)	48/53
8.	Sanjeeb Kumar Shrestha, Assistant CEO, Chief Information Technology Officer (CITO)	51/53
9.	Pramesh Raj Kayastha, Chief Finance Officer (CFO)	51/53

* Mr. Samir Prasad Dahal resigned from service of bank with effect from October 12, 2019.

Following are the agendas and decisions made by the committee:

- The meeting mainly discussed on the review of the routine day to day affairs of the bank. Besides that, the comments made by the auditors and the NRB inspection team were also discussed. Update on status of the task assigned to each individual was also discussed. Regular achievement viz-a-viz projection/ budget were also presented and discussed. Movement of the market and strategies adopted by the competitors to tackle issues were also discussed.
- The meeting discussed on the review of the routine day to day affairs of the Bank and focused on operational issues that arose in one branch should be communicated to all and not be repeated in another branch. Instruction of the BOD to avoid repetition of same mistakes as observed during audit and inspection was decided to be monitored regularly.
- The meeting discussed on the financials of different banks and the position of the Bank among it. It also discussed about rapid change in banking dynamics in the recent time due to NRB's regulatory requirement. Likewise, movement of the market and strategies adopted by the competitors to tackle issues were also discussed.
- The meeting discussed on huge marketing of Bank's products and services, particularly with print advertisements and dynamic advertisements and appointment of renowned person as Brand Ambassador of the Bank.
- The meeting discussed on proper monitoring of all expenses and issues of revenue leakages and ways to reduce such leakages in branches.
- The meeting discussed on review of new branch opening sites with reference to probable acquisition negotiations and prioritize branch opening in places with respect to business sense.

- The meeting discussed on need to further strengthen the compliance status of the Bank as seen from compliance status of AML/CFT Policy.
- The meeting discussed on initiating contactless payment enabled card and possibility of making existing ATM/POS to contactless payment compatible.
- The meeting discussed on giving away awards to deserving candidates in order to motivate the staffs to perform better.
- The meeting discussed on customization of Bulk Account Opening in CBS.
- The meeting discussed on Bank's status with respect to technology related products offerings and what further can be done at the Bank's part to be more adaptive in technology related product offerings.
- The meeting discussed on emphasis to be given on making the internal system strong which will give ample time to business people to commit on increasing business.
- The meeting discussed on need of Audio Notice Board and website in Nepali language, as the same was highlighted in Monetary Policy. Further, meeting discussed on introduction of Green Pin, which will save substantial cost and will benefit both the customers and the Bank.
- The meeting discussed on increased number of internet banking users and positive feedback received, with the start of new Internet Banking Software.
- The meeting discussed on implementation of Contingency Management Framework of the Bank.
- The meeting discussed on the need to conduct HR Audit annually, as per the new Labour Act.
- The meeting discussed on the work progress of Kamaladi Branch and tentative date for branch opening.
- The meeting discussed on amendment in existing HR Policy.
- The meeting discussed on developing various reports in MIS- Dashboard for executives and primarily focusing on preparing various daily reports and loan-deposit reports and monthly reports.
- The meeting discussed on the effect of hacking of NEPS Switching System by Chinese hackers, where amount from various ATMs was illegally withdrawn. Further, possible measures that can be taken by the Bank to be safe from such events, such as use of EMV enabled chip based cards instead of Magnetic stripe cards, was also discussed.
- The meeting discussed on the status of centralized system in CAD, which minimizes credit risk to a huge extent.
- The meeting discussed on all new and required development in IT department so that IT Security is upto date and effective in the Bank.
- The meeting discussed on the committee being formed, comprising of Head-IT, GSD Head, Transaction Banking Head, Information Security Officer and Operations Head to discuss and resolve operational issues with meeting frequency of 15 days.
- The meeting discussed on possibility of starting Gold Loan Facility in various branches considering upcoming business proposal.
- The meeting discussed on circular issued by NRB wherein the Bank has to implement security mechanism for data loss and theft protection and security audit.
- The meeting discussed on annual review of various policies and manuals of the Bank.
- The meeting discussed on acquisition timeline with related works for acquisition of Sahayogi Vikash Bank Limited including preparation for conducting Special General Meeting through video conferencing.
- The meeting discussed on possible measures of cost saving to increase profitability of the Bank, with deferring diary printing and hoarding board's replacement as ideal means, without compromising the branding of the Bank.
- The meeting discussed on linking deposit and loan target for individual staff with KRA.

- The meeting discussed on identification of risky areas for prevention of any banking fraud by focusing on operational procedures such as account opening, cheque issuance, ATM transactions, etc.
- The meeting discussed on conducting written exams for hiring process of Supervisor and below level staffs and control hiring process from talent hunt at these levels.
- The meeting discussed on depositing CIT contribution of staffs in Recurring Deposit and the fund shall be deposited with CIT only at year end.
- The Meeting discussed on restructuring the Bank's organogram comparing with contemporary banks.
- The meeting discussed on IT drill test and drill test of CBS Live.
- The meeting discussed on issues that have been raised in the board meeting and pending issues that the management has to complete by following the deadline to accomplish the said tasks.
- The meeting discussed on the need of Cyber Security Insurance, which is being currently provided by only one company in Nepal.
- The meeting discussed on updating the KYC issue being on high priority and follow up to be made with the branches for update of data for customers that are seen in threshold transaction reporting.
- The meeting discussed on preparation of Business Continuity Plan and activating BCP Team in response to the world wide spread of Corona Virus. Further, for Corona Virus prevention; masks, sanitizer and surgical gloves are distributed and placed in all the branches and ATMs.
- The meeting discussed on initiating Customer Satisfaction Survey and addressing grievance handling along with monthly reporting to Board.
- The meeting discussed on using different branches as workstations for Executive members as a precaution against Corona Virus. Further, discontinuance of Evening and Holiday counters, along with reduction of branch opening timings in line with official timing of NRB was also discussed.
- The meeting discussed on encouraging all the staffs to take Forced Leave during the Lockdown period, so that regular operations are not hampered when the lockdown opens.
- The meeting discussed on focus of the Bank on Loan Recovery during Lockdown and also discussed on the problem of renewal of loan that the Bank may face due to insufficient documents and inability of borrowers to submit documents due to lockdown.
- The meeting discussed on compulsory PCR testing of those staffs returning from outside valley and prioritize on keeping the staffs safe who are coming to office regularly.
- The meeting discussed on deposit retention plan of Sahayogi Vikash Bank Limited and instructed that jingle related to SVBL acquisition branding should be played at all radio stations at Janakpur for 1 month post joint transaction.
- The meeting discussed on providing AML/CFT training annually to shareholders holding more than 2% shares, BOD and Executives.

B. ASSETS LIABILITIES MANAGEMENT COMMITTEE (ALCO)

ALCO committee at the Bank is responsible for balance sheet planning and management from risk-return perspective and is also responsible for strategic management of interest rate and liquidity risks. The ALCO committee reports to CEO which is further monitored by the Risk Management Committee which further reports to the Board of Directors.

Major Responsibility of the Assets Liabilities Management Committee:

- Evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure.
- Formation of an optimal structure of the Bank's balance sheet to provide the maximum profit.
- Monitor liquidity risk, interest rate risk, operational risk, foreign exchange risk, equity risk, credit risk and external events that may affect the Bank's forecast and strategic balance-sheet allocations.
- Monitor treasury dealing strategies and holdings against the risk appetite set for Treasury Risk Management.

- Responsible for setting placement limits to Banks and Financial Institutions.
- Control over dynamics of size and yield of trading transactions (purchase/sale of currency, government securities, shares, derivatives) as well as extent of diversification.
- Control over dynamics of the basic performance indicators (ROE, ROA, etc.) as prescribed by the Bank's policy.
- Develop Asset/Liability strategies: monitor and discuss the status and results of implemented asset/Liability management strategies.
- Monitoring compliances of Nepal Rastra Bank and Boards instruction as specified in ALM Policy.
- Discuss capital planning of the Bank.
- Review the current and prospective capital levels to determine sufficiency in relation expected growth.
- Review the current and prospective liquidity positions and monitor alternative funding sources.
- Decide on source and mix of liabilities and on funding mixes.
- Discuss and report on the impact of major funding shifts and changes in overall investment and lending strategies.

During the reporting period July 16, 2019 to July 15, 2020 (Shrawan 1, 2076 to Ashadh 31, 2077), 21 meetings were conducted. The composition and attendance during the period is as under:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Ganesh Raj Pokharel, CEO	Chairman	18/21
Bodhraj Devkota, Deputy CEO	Member	21/21
Samir Prasad Dahal, Assistant CEO*	Member	1/21
Paras Kumar Kafle, Chief Operating Officer	Member	19/21
Sumit Babu Khatri, Chief Credit Officer	Member	20/21
Pramesh Raj Kayastha, Chief Finance Officer	Member	20/21
Head Retail Banking	Member	20/21
Angish Shrestha, Head Treasury	Member Secretary	21/21

* Mr. Samir Prasad Dahal resigned from service of Bank with effect from November 12, 2019.

Major Agendas discussed in Asset Liabilities Management committee:

Following are the major agendas discussed in the meeting.

- The committee reviewed Fund position and all major ratios.
- The committee reviewed and discussed on Liquidity Position, FCY Exposure, Borrowing / Lending Position, Investment Position of the Bank.
- The committee reviewed its limit of investments in loans and overdrafts, government securities and ensured that the risk appetite set by the policies are met.
- The committee reviewed matching of maturity calendar between deposit and credit products (liquidity mismatch ladder).
- The committee discussed on the market interest rates, market trend on call deposit, fixed deposit, saving deposit and loan products that influence the business practice of the bank.
- The committee regularly monitored and discussed the bank net interest income and earnings.
- The committee monitored liquidity Stress testing, reverse stress testing, Gap Analysis and Contingency funding plan.
- The committee reviewed the adequacy of the liquid assets held by the bank, in term of quality and quantity in relation to both expected and unexpected events.
- The committee reviewed the Interest rate risk, Foreign exchange risk and Equity risk.

- The committee reviewed all major capital projects/investments.
- The committee conducted a review of Asset Quality, Capital and Growth.
- To committee focused on ensuring that the business lines are aligned with in terms of banks overall objective and proactively controlled with regards to prudential risk.
- The committee conducted a review of treasury policy, liquidity risk management, market risk management policy, contingency funding plan and credit policy.

C. IT STEERING COMMITTEE

The core objective of IT Steering committee is to assist the Board to fulfill its corporate governance and oversight responsibilities for the investments, operations and strategies in relation to Information & Technology systems.

Major Responsibilities of Sub-Committee

- Review performance of IT Department
- Provide approval to the IT related issues.
- Set IT related plans considering the overall banking business strategy plan and implement it.
- Review various Audit issues and compliances.
- New product analysis and provide approval for new systems as per the market/bank requirement basis.

During the reporting period July 16, 2019 to July 15, 2020 (Shrawan 1, 2076 to Ashadh 31, 2077), nine (9) meetings were held.

The composition and attendance of the Committee during the period is as under:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Mr. Ganesh Raj Pokharel	CEO (Chairman)	9/9
Mr. Bodh Raj Devkota	Dy. CEO (Member)	8/9
Mr. Samir Prasad Dahal*	ACEO (Member)	0/3
Mr. Sanjeeb Kumar Shrestha	CITO (Member)	9/9
Mrs. Umang Sharma	CAO (Member)	9/9
Mr. Roman Pradhanang	IT-Head (Member Secretary)	9/9
Mr. Rajendra Lal Shrestha	CRO (Invitee)	2/2
Mr. Paras Kumar Kafle	COO (Invitee)	2/2

* Mr. Samir Prasad Dahal resigned from service of Bank with effect from November 12, 2019.

Major agendas discussed in the meeting are stated as below.

- Presentation and Approval of 4 Years IT Strategy Plan.
- Approval of Standard Procedure for Application Deployment and GO LIVE.
- Renewal of Antivirus Software.
- Discussion on recent fraud on Card Transaction in Nepal.
- Discuss on IS Audit Status.
- Approval of Procurement of Privilege Access Management (PAM) Applications.
- Discussion on Security Controls to be implemented during Dashain Holidays.
- Brief on GO LIVE with Real Time Gross System (RTGS) Applications.
- Discussion/Approval of outsourcing for ORACLE Database to Third Party Vendors.
- Presentation of Current Status of IT Strategy Plan.
- Discussion On "System & Network Security Policy".
- Procurement of Back Up Software.
- Discussion on IT Department's Working Procedure in LOCK Down period.
- Discussion on Power Issues at Thapathali Branch and Data Center.
- Approval of SSL VPN Implementation Guideline and SSL VPN Declaration Form.
- Approval of Procurement of Amazon's Route 53 for DNS Failover.
- Review of status of IT Strategy Plan.
- Discussion on Integration Status of erstwhile Sahayogi Vikash Bank Limited.

D. OPERATIONAL RISK MANAGEMENT COMMITTEE

The Bank, in consonance with the fundamentals of Corporate Governance and has constituted an Operational Risk Management Committee comprising of executives and all Heads of departments of the bank as its members. The objective of the committee is to co-ordinate the inter-departmental functions and oversight timely on occurrence of risk and corrective measures for minimization of the overall operational risk. ORMC meets formally atleast on quarter basis or as and when required.

Major Responsibility of Operational Risk Management Committee:

The committee will be responsible for operational risk management. The major responsibilities of the committee are provided below:

- Committee is responsible to implement operational manuals & procedures of the Bank.
- Committee is responsible to implement issues related to NRB directives/risk management guidelines of NRB.
- Committee shall review and take immediate precautionary measures on the recommendations of sub committees, customer service excellence and complaint handling and security management.
- Committee shall meet every quarter and the minutes shall be submitted to Risk Management Committee on selective basis based on the seriousness of the issues.
- Each member shall submit departmental reports and newly identified operational risk issues in the meeting for decision.

During the reporting period July 17, 2019 to July 15, 2020 (Shrawan 1, 2076 to Ashadh 31, 2077) , four (4) meetings were conducted.

The composition of the Committee as on 15 July, 2020 (Ashadh 31, 2077) is as under

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Chief Executive Officer (CEO)*	Invitee	1/4
Chief Risk Officer (CRO)**	Chairman	4/4
Chief Operating Officer	Member	4/4
Executive Risk & Compliance Officer	Member Secretary	4/4
Head- Information Technology	Member	4/4
Head-Retail Banking	Member	3/4
Head- Credit Administration	Member	3/4
Head -Trade Finance	Member	3/4
Operations In Charge	Member	4/4
Head-Transactional Banking	Member	3/4
Head- Operational Risk Management	Member	0/4
Head- Compliance Department	Member	1/4
Head- General Service Department	Member	3/4
Head-Treasury Back Office	Member	0/4
Head-Remittance Department	Member	4/4
Head-Card Department	Member	4/4
Head- Central Reconciliation	Member	0/4
Head - Clearing Department	Member	0/4
Head-BLB Department	Member	3/4

Major agendas discussed in ORMC meeting.

- Branch Operations related issues such as attempts to break ATM, uncollected cheques books, Power Failure, Gas leakage, online transaction service through IPS/dollar card, minor account, wrong Customer type inserted, multiple accounts, Recurring deposit, nominee accounts of FD different, wrong transaction code, Unsettled cash in transit, fees & commission/Charges, Disaster recovery and continuity plan, Matured Time Deposit, ATM withdrawal, email alert during card transactions, account closed charge not obtained, ECC Outward Clearing, credit restriction on dollar card account, ATM cash refill and maintenance under CCTV coverage, establishment of unit in card department, no access control in concerned area, lack of systematic record keeping procedure, deposit slips modification, account opening related to Blacklisted customers, theft of CCTV camera, ATM cards provided to illiterate customers , credit restriction

on dollar card accounts, FD issued with 0% interest rate, minor accounts turned major etc.

- IT related issues regarding proper handover/takeover after resignation of Finacle migration group, pending of unverified/un-posted transaction during EOD, modification of limit, proper use of prepayment menu, disbursement of loan, transferring of cheque inventory, user rights management in both Finacle and ECC, Finacle operation knowledge to staffs.
- Compliance related issues such as Go AML reporting functions, due diligence and account review functions, account freeze request from enforcement authorities, screening exception report, KYC update, compliance web portal on time, wrong information while replying to FIU, wrong details input in CBS, regarding link of accounts to be made in automatic Trust AML Software, conducting CDD etc.
- Reconciliation related issues.
- NRB Reporting related issues such as implementation of Supervisory Information System (SIS) by NRB, unaccountability for report, etc.

E. PURCHASE COMMITTEE

Purchase committee is responsible for finalization of specification and quality of logistics, approval of tender/quotation documents; recommend procurement of goods and services costing more than NPR One Hundred Thousand to Chief Executive Officer or Approving Authority.

During the reporting period July 17, 2019 to July 15, 2020 (Shrawan 1, 2076 to Ashadh 31, 2077), 37 meetings were conducted. The composition and attendance of Purchase Committee as on July 15, 2020 (Ashadh 31, 2077) is as under:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Ms. Umang Sharma	Coordinator	34/37
Mr. Pramesh Raj Kayastha	Member	35/37
Mr. Dikendra Ram Kashajoo	Member Secretary	36/37
Mr. Sanjeeb Kumar Shrestha	Invitee	1/1
Mr. Roman Pradhanang	Invitee	1/1
Ms. Smita Pant	Permanent Invitee	14/15
Mr. Pravesh Swar	Invitee	30/30

Major agendas discussed in the Purchase Committee are stated as below.

- Procurement related to Branch Shifting to the Bank's own Building at Surkhet.
- Procurement related to Branch Establishment at Kamaladi, Kohalpur, Laambagar, Sinamangal, Bhotewodhar, Tandhi, Devighat, Jeetpur, Attariya, Sukkhad, Salakpur, Kanchanbari, Juphal, Gamgadi and Tulsipur.
- Interior work for establishment of Centralized Credit Administration Department.
- Procurement related to Haldibari Branch Shifting; Nayabazar Branch re-modeling and Narayangopal Chowk Branch Expansion.
- Procurement related to ATM establishment at Bhulke, Udaypur and Star Hospital, Sanepa.
- Up-gradation of Website and Card Center Management System of the Bank.
- Modernization of Elevator at Thapathali Building.
- Customization in Finacle Core Banking System.
- Renovation of Thapathali and Nepalgunj Building.
- Procurement of Symantec Antivirus.
- Procurement of Contactless Visa Debit/Credit Cards.
- Procurement of Office Vehicles
- Procurement of Gift Items including Annual Diary, Calendars, etc.

- Other Procurements costing more than NPR Hundred Thousand.

F. RECRUITMENT COMMITTEE

Recruitment Committee was formed on October 3, 2012 (Ashwin 17, 2069) with the objective of fulfilling vacant position in the Bank through new appointment and promotion.

Major Responsibility of Recruitment Committee

The duties and responsibilities of Recruitment Committee are as follows:

- To determine the procedure for fulfilling vacant position of the Bank.
- To make vacancy announcement, conduct examination and interview and recommend to appoint selected candidates to the Chief Executive Officer for fulfilling vacant position through open competition.
- To recommend eligible staff for promotion to the Chief Executive Officer based on promotion criteria.
- To keep yearly record of performance appraisal of the staff based on the criteria determined by the Chief Executive Officer. The performance appraisal of the staff should be assessed by his/her immediate supervisor and reviewed by the supervisor's line manager. The information thus obtained shall be used for staff promotion.

During the reporting period from July 17, 2019 to July 15, 2020 (Shrawan 1, 2076 to Ashadh 31, 2077), 77 meetings were conducted. The composition and attendance of the Committee as on July 15, 2020 (Ashadh 31, 2077) is as under:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Mr. Bodh Raj Devkota	Coordinator	73
Mr. Sumit Babu Khatri	Member	64
Mr. Paras Kumar Kafle	Member	63
Ms. Umang Sharma	Member	71
Ms. Smita Pant	Member Secretary	34

Major agendas discussed in Recruitment Committee meeting.

- The committee discussed on the vacancy announcements, conducting examination and interviews for the recruitment of new staffs in the Bank.
- The committee discussed on nominating the staffs for training programs.
- The committee reviewed and recommended the eligible staff for promotion to CEO based on the promotion criteria.
- The committee discussed about the performance appraisal.

INTERNAL CONTROL

Procedures

Internal control is a process effected by the Board of Directors, senior management and all levels of personnel. It is not solely a procedure or policy that is performed at a certain point of time, but rather it is continually operating at all levels within the Bank. The Board of Directors and senior management are responsible for establishing the appropriate culture to facilitate an effective internal control process and for monitoring its effectiveness on an ongoing basis. However, each individual within an organization must participate in the process. The main objectives of the internal control process can be categorized as follows:

- Efficiency and effectiveness of activities (performance objectives).
- Reliability, completeness and timeliness of financial and management information (information objectives).
- Compliance with applicable laws and regulations (compliance objectives).

The Directors are responsible for maintaining and reviewing the effectiveness of risk management and internal control systems and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. These procedures are designed to provide effective internal control according to Internal Audit Manual, 2019 as approved by the Board of Directors.

The Major elements of an Internal Control Process

The internal control process, which historically has been a mechanism for reducing instances of fraud, misappropriation and errors, has become more extensive, addressing all the various risks faced by the banking organizations. It is now

recognized that a sound internal control process is critical to the Bank's ability to meet its established goals, and to maintain its financial viability. Internal control system of the Bank consists of five interrelated elements:

A. MANAGEMENT OVERSIGHT AND THE CONTROL CULTURE

The Board of Directors has the responsibility for approving and periodically reviewing the overall business strategies and significant policies of the Bank; understanding the major risks run by the Bank, setting acceptable levels for these risks and ensuring that senior management takes the steps necessary to identify, measure, monitor and control these risks; approving the organizational structure; and ensuring that senior management is monitoring the effectiveness of the internal control system. The Board of Directors is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained.

Senior management has the responsibility for implementing strategies and policies approved by the Board; developing processes that identify, measure, monitor and control risks incurred by the Bank; maintaining an organizational structure that clearly assigns responsibility, authority and reporting relationships; ensuring that delegated responsibilities are effectively carried out; setting appropriate internal control policies; and monitoring the adequacy and effectiveness of the internal control system.

The Board of Directors and senior management are responsible for promoting high ethical and integrity standards, and for establishing a culture within the Bank that emphasizes and demonstrates to all levels of personnel the importance of internal control. All personnel need to understand their role in the internal control process and be fully engaged in the process.

B. RISK RECOGNITION AND ASSESSMENT

An effective internal control system requires the material risks that could adversely affect the achievement of the Bank's goals which are being recognized and continually assessed. This assessment covers all risks facing by the Bank and the consolidated banking organization (i.e. credit risk, country and transfer risk, market risk, interest rate risk, liquidity risk, operational risk, legal risk and reputational risk). Internal controls may need to be revised to appropriately address any new or previously uncontrolled risks.

C. CONTROL ACTIVITIES AND SEGREGATION OF DUTIES

Control activities are an integral part of the daily activities of the Bank. An effective internal control system requires that an appropriate control structure is set up, with control activities defined at every business level. These includes: top level reviews; appropriate activity controls for different departments or divisions; physical controls; checking for compliance with exposure limits and follow-up on non-compliance; a system of approvals and authorizations; and, a system of verification and reconciliation. There is appropriate segregation of duties and those personnel are not assigned conflicting responsibilities. Areas of potential conflicts of interest are identified, minimized, and subject to careful, independent monitoring.

D. INFORMATION AND COMMUNICATION

For an effective internal control system, there are adequate and comprehensive internal financial, operational and compliance data, as well as external market information about events and conditions that are relevant to decision making. Information are reliable, timely, accessible, and provided in a consistent format. There are reliable information systems in place that cover all significant activities of the Bank. These systems, including those that hold and use data in an electronic form, are secure, monitored independently and supported by adequate contingency arrangements. For an effective internal control system, there are effective channels of communication to ensure that all staffs completely understand and adhere to policies and procedures affecting their duties and responsibilities as well as that other relevant information are reaching the appropriate personnel.

E. MONITORING ACTIVITIES AND CORRECTING DEFICIENCIES

The overall effectiveness of the Bank's internal control is monitored on an ongoing basis. Monitoring of key risks is the part of the daily activities of the Bank as well as periodic evaluations by the business lines and internal audit. There is an effective and comprehensive internal audit of the internal control system carried out by outsourced audit firm M/s M.R. Associates. The internal audit function, as part of the monitoring of the system of internal controls, reports directly to the Audit Committee and the Board through the Member Secretary of the Audit Committee. Internal control deficiencies, whether identified by business line, internal audit, or other control personnel, are reported in a timely manner to the appropriate management level and addressed promptly. Material internal control deficiencies are reported to senior management and the Board of Directors.

INTERNAL AUDIT TEAM

An effective and comprehensive internal audit of the internal control system is carried out by operationally independent, appropriately trained and competent staffs from the audit firm M.R. Associates. The firm and its staffs engaged in the internal audit are responsible to adhere with the Internal Audit policies, procedures and annual audit plan as directed by the Audit Committee or the Board. Internal Audit reports are periodically presented to the Audit Committee and the

decisions and findings of audit are reported to the Chief Executive Officer and Business Heads for initiating immediate corrective measures through Audit Committee.

Following are the major activities performed for establishing and maintaining effective internal control system in the Bank:

- Risk Based Branch and Departments Audits,
- Review of Investment (as required by NRB),
- Review of Capital Adequacy (as required by NRB): Monthly,
- Review of Quarterly Financial Statement,
- Review of Base Rate and Interest Spread on monthly basis,
- Reporting Major audit issues to BOD along with quarterly financial statement,
- Gold Audit of all the branches having the gold loan facility, on need basis.
- Special Audit and Surprise Audit on need basis,
- Offsite Monitoring of Departments & Branches,
- Compliance Audit of AML/CFT Policy: Yearly,
- INR transaction review done on half yearly basis,
- Labor Audit,
- Other reviews as per the requirement of manuals, policies, etc.,
- Other tasks such as coordinating Statutory Auditors, NRB Inspection Team, etc as well as banking operations are as per the requirement.

BRANCHES AND DEPARTMENTS COVERED DURING THE COURSE OF INTERNAL AUDIT FY 2019/20 (2076-77)

S.N	BRANCHES	AUDIT DAYS
1	Durbarmarg	38
2	Newroad	9
3	Maitidevi	9
4	Kumaripati	8
5	Biratnagar	8
6	Birgunj	8
7	Koteshwor	7
8	Bhaisepati	7
9	Kalanki	7
10	Boudha	7
11	Bhaktapur	7
12	Thahiti	7
13	Kuleshwar	6
14	Chabahil	6
15	Thapathali	6
16	Damak	6
17	Narayangopal Chowk	6
18	Gwarko	5
19	Janakpur	5
20	Samakhushi	5
21	Kirtipur	5
22	Kupondole	5
23	Thankot	4
24	Birtamod	4
25	Nayabazar	4
26	Kapan	4
27	Temaal	3
28	Itahari	3
29	Banepa	3
30	Gausala	3
31	Gaighat	3
32	Hetauda	3
33	Thimi	3
34	Mahaboudha	3
35	Naya Baneshwor	3
36	Jumla	3
37	Dolpa	3
38	Dillibazar	3
39	Sunapati	2
40	Tokha	2
41	Chame	2
42	Simikot	2
43	Sarkegard	2

44	Dharan	2
45	Pathlaiya	2
46	Namkha	1
47	Mangseybung	1
48	Sahidbhumi	1
49	Aurahi	1

S.N	DEPARTMENTS	AUDIT DAYS
1	Corporate Credit/Infrastructure Banking/ SME	18
2	Consumer Banking Unit and Credit Card	11
3	Finance and NRB Reporting	106
4	Treasury	16
5	Human Resource Department	16
6	GSD	48
7	Trade Administration (LC)	22
8	Trade Administration (G' tee)	4
9	Credit Recovery	15
10	Card	4
11	Remittance	3
12	Branchless Banking	4
13	Compliance including AML/CFT	4
14	Legal and Share	15
15	Risk Management Department	2
16	Dmat/ASBA	4
17	Central Clearing	5
18	E-Banking	13
19	Corporate Communication Department	15
20	Grievance Handling	15



03

SUSTAINABILITY REPORTING

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BUSINESS MODEL

VALUE CREATION HISTORY

The main purpose of the Bank's business is to deliver sustainable returns for its shareholders and build a better bank for its customers. The Bank follows proactive approach to understand how the Bank's business is evolving, determine how these changes are impacting the capacity of Bank's value creation and take action to safeguard the interest of its stakeholders.

The Bank's Business Model also requires to invest in and develop human capital for business growth through professional networks of, key aspects of its social and relationship capital—as well as its intellectual capital, to continuously innovate its offerings and improve its process efficiencies ultimately adding up on its ability to be responsive in a timely fashion to add to its ability to be responsive and timely. In process, the Bank ensure its business activities are aligned with its core values and guided by its governance framework, and also that its strategies and risk mitigation efforts are in line and responsive to pressures from external environment and market forces.



RESOURCES THAT BANK RELIES ON:

a) Financial Capital	The funds generated through Equity Capital, Debt Capital, Specialty Capital, Customer Deposits and other sources of funding are invested with motive to create value.
b) Human Capital	The Bank's employees are the key custodian of its business. Their competencies, capabilities and experience are the factor of its success.
c) Intellectual Capital	Knowledge, brand value, ethics, corporate culture, knowledge based intangibles, etc. are the foundation for the Bank's brand value creation.
d) Manufactured Capital	The tangible and intangible infrastructure, branches, loan facility, as well as key investment in technology and digitalization enables the Bank for value creation.
e) Social and Relationship Capital	The relationship build with the stakeholders, customers, investors, employees and commitment towards community reflects the Bank as a responsible growing corporate organization.

EXTERNAL ENVIRONMENT

a) Financial Capital

In the value creation process of the Bank, financial capital plays a focal role. Financial Capital of the Bank represents funds contributed from shareholders and the reserves built up over the years as well as funds sourced from investors in debt securities, borrowings from other Banks/creditors and deposits from customers.

Inputs Used: <ul style="list-style-type: none"> • Equity Capital • Debt Capital • Specialty Capital (Policy Incentives) 	Business Activities: <ul style="list-style-type: none"> • Investment made on Property and Equipment is NPR 435.26 Million. • Training and Development expense is NPR 11.15 Million.
Outcome/Output: <ul style="list-style-type: none"> • NPAT-NPR 1,198.50 Million • Earnings Per Share- NPR 13.88 • Net Asset Value Per Share- NPR 147.61 • CAR-15.14% 	Value Creation: <ul style="list-style-type: none"> • Economic value created for its stakeholders. • Shareholder payment of reasonable dividends and afforded opportunities for capital gains for the shareholder. • Attractive financial Returns for the Bank.

b) Human Capital

The competencies, motivation and ethical work practices of the Bank's employees and service providers enable it to create commercial and sustainable development in the short, medium and long term. The Bank fosters safety and vigilance amongst its employees through a safety-oriented operational culture.

Inputs Used: <ul style="list-style-type: none"> • Totals no. of Employees 1,137 • 239 new employment opportunities • Investment in Training and Development is NPR 11.03 Million • Employee's Competencies 	Business Activities: <ul style="list-style-type: none"> • 196 numbers of training program conducted. • Annual Appraisal/Promotion for all the employees. • Most of the training programs conducted via online due to Covid 19.
Outcome/Output: <ul style="list-style-type: none"> • Increased Employee Productivity • Career Development opportunities • Job satisfaction with remuneration packages • Work Life Balance 	Value Creation: <ul style="list-style-type: none"> • Improve operational efficiencies and a safe working environment. • Development of Leadership and communication skills. • Ethical and Strategic working environment.

c) Intellectual Capital

Intellectual Capital is "Knowledge that is value to the bank". Intellectual capital for the Bank is intangible assets created by its employee's efforts and also assets such as patent, trademarks, copyrights and other results of its employee innovation and thought. Through intellectual capital, the Bank is able to quickly adapt to the changes and remain competitive in the markets.

Inputs Used: <ul style="list-style-type: none"> • Bank's brand • Information Security • IT requirements for customer service 	Business Activities: <ul style="list-style-type: none"> • Expansion of IT workforce by absorbing technical specialists from the industry.
Outcome/Output: <ul style="list-style-type: none"> • Loyal customer base • Strengthening the brand value • Competitive advantage 	Value Creation: <ul style="list-style-type: none"> • Proper information security. • Better customer services.

d) Manufactured Capital

The Bank has identified and acknowledged the importance of manufactured capital as it is essential to the Bank for sustainability and competitive advantage. The Bank has consistently invested in its manufactured capital as it believes that growth in market share and wealth creation to the shareholders is directly proportionate to the investment in capital expenditure.

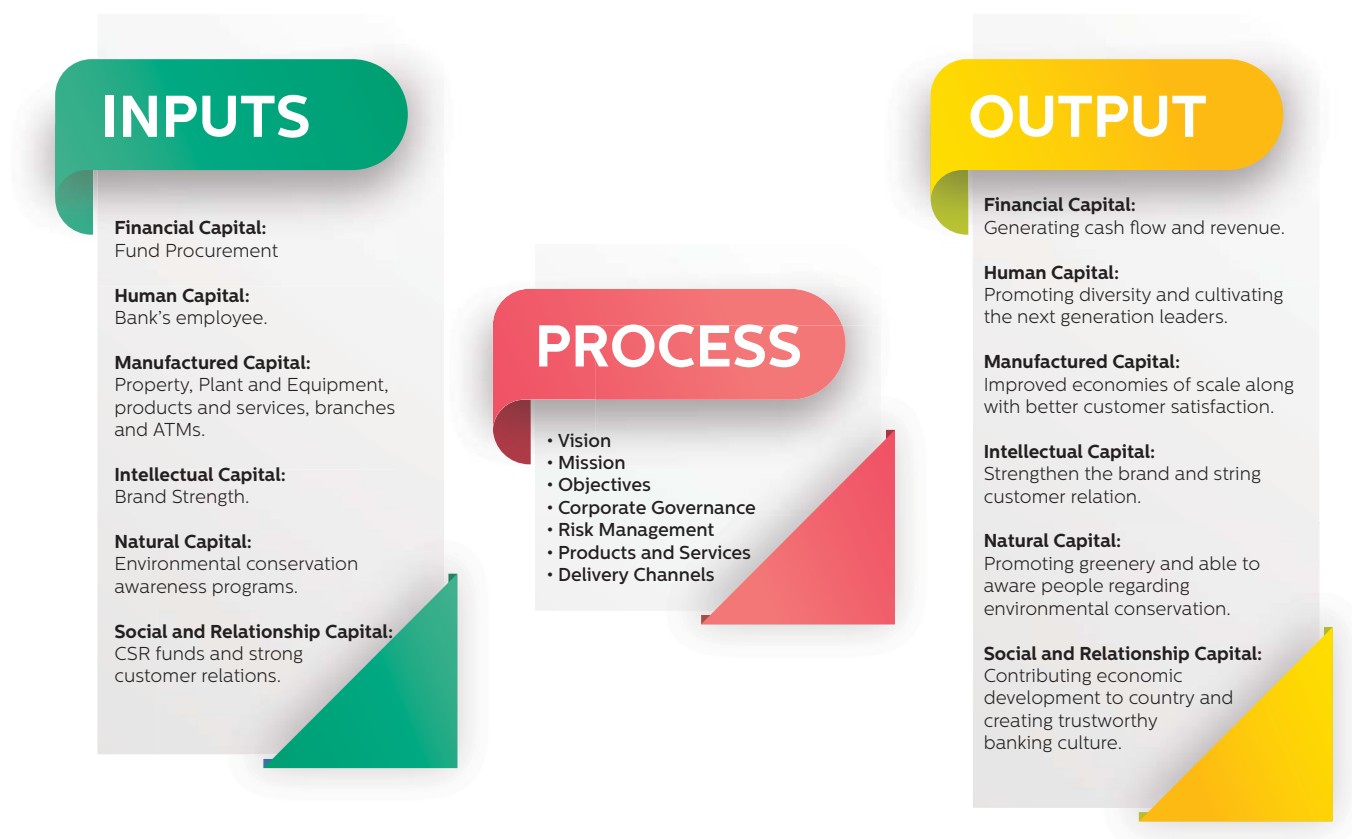
Inputs Used: <ul style="list-style-type: none"> • 109 Numbers of total branch in operation • 99 Numbers of ATMs • Bank has steadily invested in technology and accordingly acquired Citizens Smart Banking Software and Citizens Online Banking Technology. 	Business Activities: <ul style="list-style-type: none"> • Installation of 17 ATMs during FY 2019/20. • Opening of 14 new Branches during the FY 2019/20. • Acquired Sahayogi Bikash Bank Limited with 14 branches and 4 ATMs during the FY 2019/20.
Outcome/Output: <ul style="list-style-type: none"> • Improved Economies of scale • Increased reach of customers with better quality of service • Number of branches reached to 109 • Number of ATMs reached to 99 • Branchless Banking Locations 104 • International Remittance Tie ups 22 • Local Remittance Tie ups 26 • No of POS installed to 465 	Value Creation: <ul style="list-style-type: none"> • Satisfied customers and customer base growing. • New products launched in order to provide diversified service customers, branchless banking facility. • Deprived sector loan provided for fund access to under privileged customers.

e) Social and Relationship Capital

Social and relationship capital is an integral component of the value for business. It involves the business itself, the formal and informal entities and institutions associated with it, as well as the relationships with and between employees, communities and other stakeholders. Citizens Bank International Limited is embedded in the community and the social and relationship capital is seen as the link between its business and society. The Bank has conducted activities like providing scholarship to children's and financial assistance to schools, supporting for healthcare, women empowerment activities, charities and environment friendly activities.

Inputs Used: <ul style="list-style-type: none"> • Corporate Social Responsibility • Long term stakeholder relationships • Innovative product offerings 	Business Activities: <ul style="list-style-type: none"> • Over 1,000 volunteer hours spent on CSR projects. • Total 15 projects implemented. • NPR 4,313,000 investments on sustainable development projects. • NPR 4,351.60 Million Under deprived sector lending.
Outcome/Output: <ul style="list-style-type: none"> • Contributing economic development to the country • Creation of trustworthy banking culture • 4,510 facilitated through deprived sector lending 	Value Creation: <ul style="list-style-type: none"> • CSR initiatives, educational, healthcare support, disaster aid. • Enhancing financial access to the marginalized population.

SUMMARIZED DIAGRAMMATICAL PRESENTATION:



STRATEGIC PLAN

"THINKING AHEAD ACTING NOW"

OVERVIEW

The Bank has always strived to be the leading bank known for its service excellence in the region and is always committed to meet the financial needs of its customers and exceed their expectations through standard and reliable financial services. With a clear and futuristic Vision, precise mission and customer focused Corporate Values; the Bank is always focused on achieving better financial results and believes in giving back to its stakeholders. The Bank not only aims to be the most profitable or fastest growing bank, but also the most trusted by its customers and other stakeholders. The business of the Bank has prospered as a result of effective growth strategy and efficient implementation. The Bank's motto of standing as a reliable and trustworthy partner for all its customers and stakeholders and delivering excellent financial solutions to them has always paved a way for developing strategies that primarily aims on customer satisfaction and building customer trust. The Bank, at all times, has continued to invest in its business; people and brand to deliver customer centric experiences and help those it serves, feel more confident about their financial future.

The Bank has adopted a unique business model for enhancing six capital measures by ways of well-defined corporate strategies. These strategies may be short term, mid term and long term and are defined in keeping the long-term vision and mission of the Bank in mind. The Bank is headed in right direction with these strategies serving as pathway.

SWOT ANALYSIS

SWOT analysis has been used to evaluate the Bank's strategic situation in the competitive banking industry. This analysis gives the clear picture about the Bank's key strengths, weaknesses and the potential opportunities and threats.

SWOT ANALYSIS



STRENGTHS

- Well known brand.
- Strong management team.
- Sound capital base and risk appetite.
- Good Corporate Governance.
- Well dispersed branch network across the country.



WEAKNESSES

- Low CASA ratio.
- High operation cost.
- Lack of product differentiation.
- High turnover of skilled manpower.
- Limited international network.



OPPORTUNITIES

- Tapping business out of Government priorities on economic agenda.
- Expansion of economic activities from grass root level i.e. local level governments
- Expansion of banking services in rural areas
- Chances of construction led economic growth
- Strategic initiatives focusing on business opportunities in the area of hydro, tourism, IT and other mega infrastructure development projects.
- Prospect to penetrate rural economy and increase SME business.



THREATS

- Intense Competition in the banking industry - Existing Commercial Banks and Infrastructure Development Bank.
- Ever increasing cost of compliance, cost of fund, volatility of liquidity and operational risk
- Low growth causing difficulty in increasing EPS that may create pressure from shareholders.
- Loss of business and increase in cost of compliance arising out of new rules and regulation introduces by the Government and regulators.
- Adverse impact of COVID 19 in economy and financial activities of the country.

STRATEGIC GOALS

CAPITAL	SHORT TERM STRATEGIES	LONG TERM STRATEGIES
Financial Capital	<ul style="list-style-type: none"> • Increase net interest income, cost efficiency, customer base. • Streamlining of Credit Portfolio. 	<ul style="list-style-type: none"> • Increase Shareholders Value. • Consistent Dividend Payment to shareholders.
Human Capital	<ul style="list-style-type: none"> • Diversify the recruitment process. • Reduce employee turnover. 	<ul style="list-style-type: none"> • Improve employee productivity. • Improve customer information. • Conduct regular Learning and Development exercises. • Improve quality of employee service delivery.
Social and Relationship Capital	<ul style="list-style-type: none"> • Selling new and innovative products for developing strong customer base. • Implement Whistle Blower Policy. 	<ul style="list-style-type: none"> • Improve the experience of customers while banking with us. • Become a trusted brand of customers.
Intellectual Capital	<ul style="list-style-type: none"> • Improve the brand value of the Bank and introduce new logo of the Bank in a phased manner, enhancing and changing the brand image as required. • Bag “Banker of the Year Award”. • Bag “Best Presented Annual Report Award” of SAFA as winner. 	<ul style="list-style-type: none"> • Increase digitization in products and business models. • Standardize operating procedures of all functions. • Comply all forms of Acts, Directives, Regulations and circular issued by the concerned authorities. • Strengthen MIS and Business Intelligence. • Strengthen IT Security.
Manufactured Capital	<ul style="list-style-type: none"> • Increase network and reach of the Bank. • Extend the premises of corporate building, as required. 	<ul style="list-style-type: none"> • Strengthen Risk Management Functions. • Get required Banking and Financial Consultancy Service from professionals to improve internal processes, launch new products and services and improve strategic decisions/directions.

CURRENT YEAR STATUS AND TARGET FOR NEXT 4 YEARS

a) Financial Capital

KPIs	CURRENT YEAR	2019/20	2020/21	2021/22
Dividend %	11%	12%	14%	15%
Business Growth (Credit)	16.21 bn	7.7 bn	10.16 bn	11.38 bn
Business Growth (Deposit)	18.06 bn	7.6 bn	11.53 bn	14.28 bn
Transaction Banking Income (Growth)	13.94%	20%	25%	30%
Net Interest Income to Total Interest Income Ratio	30.40%	32%	33%	35%
Number of customers Increment	42.90%	20%	22%	25%
CASA Ratio	30.56%	31%	33%	35%
Operating cost to operating income ratio	44.41%	44%	42.50%	40%

b) Human Capital

KPIs	CURRENT YEAR	2020/21	2021/22	2022/23
Business Volume per Employee and Net Profit per employee	Below industry average.	- Attain and maintain above market average.		
Learning and Development Coverage	In house, Learning Center is in place and adequate numbers of both in-house and out-sources trainings have been conducted.	- Comprehensive learning and development plan covering all the staffs. - Skill development trainings to all the staffs. - Increase the frequency of training exercises.		
Increase employee productivity (business per staff)	Proper workload analysis and placement as per the requirement.	- Necessary trainings to enhance knowledge and productivity. - Develop mechanism for measuring individual contribution for self assessment of the performances.		

c) Social and Relationship Capital

KPIs	CURRENT YEAR	2020/21	2021/22	2022/23
Awareness Survey Result	Awareness program is conducted frequently.	- Annual Increment of customer base by at least 10%.		
Customer Relationship Management (CRM)	CRM system being developed and used with data available in Core Banking Software.	- Implementation of dedicated CRM system.		
Emails/ SMS/ social networking portals usage and updates to customers, enhanced relationship with customers	Email alert, SMS and social networking are actively used to update and keep in touch with customers.	- Constantly communicating and informing/ updating customers about existing and new products/ services. - Introducing Privilege facilities to customers like discount tie- ups with stores, restaurants, hotels, airlines, travel agencies, etc.		
Stay connected with the Investors	Stay connected with the investors to enhance the Bank's image.	- Stay connected and initiate confidence build up campaign with the investors to enhance the Bank's image in view of under valuation of the Bank's share as indicated by decreasing trend of PE ratio.		

d) Intellectual Capital

KPIs	CURRENT YEAR	2020/21	2021/22	2022/23
Numbers of new products/ services	- New Deposit product with insurance tie up has been launched. - New Deposit product targeted for new generation (millennial) and tech savvy population has been launched. - New Deposit product targeted for working population has been launched. - New concessional loan products has been launched in line with the policy of government and Central Bank.	- Introduce at least 1 innovative product as pioneer under Credit, Deposit and transactional banking area. - Render all products/services offered by competitors with higher service excellence.		
Automation of Business Processes	Online Account opening, Home Loan and Credit Card Application is in place.	- Introduction of Online Loan. Application, Online help desk, Online card blocking, Automated Credit. Application Approval Process, etc.		
Improve quality and Employee service delivery	Customer segmentation is done, customer grievance is being monitored regularly, culture of providing Customer service and its quality has been improved.	- Reduction in number of grievances. - Development of Instant and easy mechanism of incorporating customer feedbacks. - Reduce time lag of handling customer grievances.		
Improve efficiency through Business Process Re-engineering	Reengineering processes and products as per need.	- Use call center for customer service excellence. - Hire consultants and reengineer processes and products as deemed beneficial.		
Document Digitization and Workflow	- Reduced paper work. - DMS is in place for loan approval. - Centralized monitoring of expenses with the help of MIS which has decreased document preparation time of branch offices.	- Digitization of paper documents in Document Management System Application.		
ISO Certification/ Independent Policy Audit	Internal Audit and Statutory auditors have been conducting audit of Internal control functions as part of their audit function.	- Dedicated audit of internal control system to be done annually.		
Compliance Functions		- Dedicated compliance audit in order to ensure that all acts, directives, regulations and internal policies, procedures, manuals, etc. of the Bank is properly being adhered to and is functioning as intended.		

e) Manufactured Capital

KPIs	CURRENT YEAR	2020/21	2021/22	2022/23
No of new branches/ network	109 branches and 1 extension counter in place.	<ul style="list-style-type: none"> - No branch growth in FY 20/21. Then after, 20 branches in each fiscal year. - Branches/Extension counters in each province will be opened so that synergy to the existing branches will be created along with the business viability in the proposed new branches. - Preparation shall be made so that new branch shall come into BEP within one year from the date of opening the branches. 		
Open for merger and acquisition	Acquisition of Sahayogi Vikash Bank limited completed and consolidated transaction commenced from July 4, 2020.	<ul style="list-style-type: none"> - Acquisition is in process of Tinau Mission Development Bank Limited. - Merger and acquisition process should be initiated taking due consideration of ongoing pandemic situation especially in upcoming fiscal year. 		
Improve internal processes, launch new products & services, and improve strategic decision making processes	Effective product development strategy and cost control measures has been identified and adopted.	<ul style="list-style-type: none"> - Adopt and implement international standards of innovations and practices to get early bird privileges and stand out from other banks. - Improve process flow and minimize cost and maximize efficiency through BPR concept. 		

CONCLUSION

In order to match with changing time and technology and expectations of customers, the Bank strives to provide excellent, reliable and supportive financial services to its valued customers. The Bank values contributions made by the investors by providing them with adequate returns on timely basis.

With professional and dedicated efforts, Bank has been thinking ahead and acting now to accomplish its objectives; uplifting systems and networks, implementing new technologies, wide spreading its reach and coverage, managing risks and being a valuable contributor to the society. The Bank is committed to best practice for achieving its strategic plans with the help of experienced human capital including the management team and respected Board of Directors. Despite tough year for banking and overall industries due to pandemic situation, the Bank stood strong and relentless overcoming the challenges with a strong financial performance.

Progressing ahead, the Bank focuses to stand as one of the leading Bank in the Nepalese Banking industry on behalf of its customers, stakeholders and communities delivering its best in the years to come. For this, the Bank aims to have sustainable growth with value addendum implementing the necessary action plan today discovering potential growth opportunities for tomorrow.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR has been a long standing commitment of Citizens Bank International Limited where responsiveness to the needs of the society and responsibility to meet those needs are due concerns. For us, CSR is not just philanthropy; the Bank cares the needs and expectations of our stakeholders and act as a partner in progress of the community and the country. The Bank stands to set a paradigm to enrich the lives of poor, needy, deprived and differently abled people all across the country. The Bank has throughout its journey played an active role towards social, environmental and welfare activities. The Bank has incorporated CSR as one of the objectives of the Bank. The Bank has been contributing for uplifting education, health, sports, and culture throughout the country and helping whenever required. The Bank is dedicated on serving expectation and interests of several stakeholders in economic and social development, promoting sustainable economic development and social progress. CSR is not limited to a statement or a buzz word for the Bank but is a solemn commitment made to various stakeholders. The Bank measures expectation of stakeholders as follows:

ENTITY	EXPECTATION	WAY OF COMMUNICATION	HOW WE MEASURE
Government	Coordinate public finance and support Governmental development targets	<ul style="list-style-type: none"> - Submit NRB reports - Guided by Internal Policy 	<ul style="list-style-type: none"> - Lend to priority sector, deprived sector - Timely submitting reports to Government authorities
Regulatory Authorities	Compliance with laws, regulation and conduct fair operation to maintain stable financial system	<ul style="list-style-type: none"> - Submit daily, weekly, monthly and others reports 	<ul style="list-style-type: none"> - Adhere with compliance and conducting honest operation by improving corporate governance, and strengthen internal control
Shareholders	Good market value	<ul style="list-style-type: none"> - AGM - Annual and Quarterly reports 	<ul style="list-style-type: none"> - Robust operation, profitability enhancement and steady dividend
Customers	Quality and simplified financial products and services tailor made to cater the need of the customer	<ul style="list-style-type: none"> - Customer service Desk - Notice and complaint box - Social media 	<ul style="list-style-type: none"> - Enhance service quality by focusing on customer satisfaction and protecting consumer rights and interests - Timely dissemination of information
Employees	Good career planning and growth opportunities	<ul style="list-style-type: none"> - Education and training 	<ul style="list-style-type: none"> - Enhance employee training and improve employee compensation and incentive
Community	Focus on community development and community support	<ul style="list-style-type: none"> - Public interest activities - Donation - Collaboration with social cause 	<ul style="list-style-type: none"> - Conducting volunteering activities, supporting disadvantaged people, and actively engage in public interest activities

Focus areas of our CSR activities that involves Community

The Bank emphasizes on the following CSR activities:

- Education and health
- Management during natural disaster
- Environment conservation
- Cultural conservation and Promotion
- Infrastructural development
- Programs for the enhancement of standard of living
- Employment generation to marginalized community
- Financial literacy programs
- Customer protection
- Development/ conservation of literature, arts and music.

The Bank organized/participated in various events to fulfil its responsibilities towards the society for which the Bank has segregated more than one percent of its net profit in Corporate Social Responsibility Fund in compliance to NRB guidelines and has provided financial assistance of NPR 18,856,631 in the FY 2019/20. Similarly, the Bank intends to lead the industry in Nepal embracing green energy by implementing solar systems to power the Bank.

PROVINCE/ SECTOR	CULTURE	EDUCATION	ENVIRONMENT	FINANCIAL LITERACY	HEALTH	SOCIETY	GRAND TOTAL
1		260,000		44,100	1,244,480	294,850	1,843,430
2		150,000		40,900	1,424,545	500,000	2,115,445
Bagmati		2,524,641	22,200	425,200	3,590,107	501,000	7,063,148
Gandaki	1,951,000	174,700		2,200	1,002,257	75,000	3,205,157
Lumbini		108,000		29,400	1,378,406	92,000	1,607,806
Karnali		450,000		23,800	1,090,065		1,563,865
Sudurpaschim		225,000		63,600	1,119,182	50,000	1,457,782
Grand Total	1,951,000	3,892,341	22,200	629,200	10,849,040	1,512,850	18,856,631

Supporting Education

The Bank has taken an initiative to build toilets for girls in Mahendra Bhawan Secondary School, Kathmandu. The Bank has provided financial assistance of NPR 500,000 to the school to build toilets for its students as a concern of hygiene. Similarly the Bank has also provided NPR 400,000 each to Shree Gaurishankar Secondary School, Charikot, Dolakha and Shree Khare Secondary School, Charikot, Dolakha respectively for the development of the infrastructure of the schools. The Bank has supported them with the intention to provide better environment for education. For the infrastructure development of schools, the Bank has supported other schools of rural areas as well.

Moreover, the Bank has provided scholarship to 13 under privileged, poor and hard working student through “Children Development Society (Baal Bikash Samaj)”, Kathmandu amounting NPR 150,000. Additionally, with the objective of providing education to under privileged children of upper Dolpa, the Bank has provided financial assistance to ‘Snow Yak Foundation’ working for the same cause.

Supporting Healthcare

This year the World’s economy has been affected by COVID 19. Hence the Bank has been providing financial assistance to its stakeholders to fight with the virus. The Bank spent approximately NPR 9.70 million in purchasing accessories and equipment to combat with COVID such as sanitizers, masks, gloves, disinfectants, thermal guns, face shields etc. Also the Bank participated by joining hands with the local governments of each province in its fight against corona virus by providing financial assistance to the local bodies of all seven provinces.

The Bank also provided financial assistance to Nepal Press Union for providing COVID shields to the journalists of the country who have been working as the frontliners of the country.

Besides this, the Bank also took an initiative on the occasion of Women’s Day, provided gift hampers of items related to personal hygiene of women customers of the Bank.

Others

The Bank also handed over dustbins to VVIP directorate, Kathmandu to help them in maintaining clean and healthy environment and also helping in decomposing the waste into degradable and non-degradable wastes. The methodology of reduce, reuse and recycle shall be used by the directorate for the management of waste through the placement of dustbin.

The Bank has also provided financial assistance to ‘SAATH’ and ‘Baby Life Home’. These organizations provide food, shelter and education to the children infected with AIDS. Further, they are also focused on socialization and capacity building for children who belong to marginalized communities.



Financial assistance to Tribhuvan
Secondary School, Jajarkot



Financial assistance to Galeshwor
Secondary School, Myagdi



Financial assistance to Shree Janata
Adharbhut School, Mahottari



Financial assistance to Shree Bhrikuti
Secondary School, Mohanyal



Financial assistance to Purwanchal
Gyan Chakshu School, Dharan

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

The Bank has developed a robust and stringent anti-corruption policy that implements necessary and effective internal control mechanisms and strengthens functions of risk management, with an aim to prevent bribery and corruption in the regular operations of the Bank. In consideration of Nepal Rastra Bank's guidelines on maintaining a good corporate governance in the banking industry, all the members of the Board of the Bank, as well as the employees, are committed to the code of ethics as prescribed by NRB.

The Board has comprehensively discussed the current scenarios and outlooks of the anti-corruption policies, measures and ethics of the financial industry and has amended the AML/CFT Policy of the Bank vide meeting no. 204 to ensure that the Bank follows the best standards of measures against corruptions and unethical practices. The move has also been taken to attain the sound operations of the Bank's business and ascertain that the ethical standards of the Bank are not compromised. Further, the quarterly reports presented on AML/CFT Compliance have also been reviewed by the Risk Management Committee of the Bank which provided a strong platform for the Bank to understand its current strengths and also explore the future actions to be taken in this arena. The Bank has also formulated the Board of Director's Self Assessment Policy and the Board of Director's Conflict of Interest Management Policy, etc. which aligns with the standards of business ethics and anti-corruption measures adopted by the Bank.

INFORMATION OFFICER

In pursuant to section 6 of Right to Information Act, 2007 which provides access to every citizen with all required banking information, the Bank has designated Mr. Bodh Raj Devkota, Deputy Chief Executive Officer, as the Chief Information Officer of the Bank. With relation to the given Act, the following vital information of the Bank has been relayed to our valued citizens:

- Organizational Structure of the Bank,
- Functions, duties, and powers of the Bank,
- Number of employees of the Bank and their roles and responsibilities,
- Variety and nature of services rendered by the Bank,
- Number and name of Bank's branches and their responsible officers,
- Details of fees levied and time frame required for delivery of service,
- Decision-making process and key responsible persons involved,
- Designated authority to hear appeal against decision,
- Description of functions performed,
- Name and designation of Chief Information Officer,
- List of Acts, Rules, Bye Laws or Guidelines,
- Updated description of income, expenditures and financial transactions,
- Other particulars as prescribed by the laws.

LEGAL AND REGULATORY REQUIREMENTS

In line with the Directives no: 6 of Unified Directives issued by Nepal Rastra Bank, even though the Directors delegate authorities to employees with their course of actions, the ultimate responsibility and accountability of the work of such employees rests with the Director itself. So to avoid any unscrupulous activities being conducted inside the Bank, the records of any incidents and actions taken against the employees are presented in the meeting of the Board of Directors. The Bank also obtains and submits the details of the self-declaration to NRB, made by its Directors with regards to themselves and also submits the details of the registration/record book prepared by itself with regards to its Directors. Further, on completion of the fiscal year, the Bank updates the detail of assets held in the name of the Directors, the Chief Executive Officer and the Officer level staffs along with their families and also with the details of loans availed by them from the Bank and different other banks and financial institutions.

PROCEDURE OPTED BY THE BANK

The chief of respective departments undertake the responsibility to instruct and receive information from the subordinate staff on the matters relating to the Code of Conduct. The concerned department chief then submits the reports as to the breach of discipline or rules made by the employees, to the Human Resource Department and makes such report available to the supervision team of NRB in the course of the inspection.

THE WHISTLE BLOWER GUIDELINES

The Bank has come up with a strong Whistle Blower Guidelines that enables all employees to raise concern against any malpractice such as immoral, unethical conduct, fraud, corruption, potential infractions of the Code of Conduct of the Bank and alike. For this, two reporting officers have been assigned, wherein the Chairman has been assigned for dealing matters relating to the Executive Committee members and the Chief Executive Officer has been assigned for dealing matters relating to other staffs. Proper communication channels and operational modalities have been designed and implemented so that a timely, prudent and cautious approach is taken to evade all possible losses and negativities arising out from the footprints of such events.



RISK MANAGEMENT

As a banking institution regulated by Nepal Rastra Bank (NRB), the Bank is operating in an extremely competitive and volatile environment. Therefore, it is imperative to be proactive in the Bank's business strategy in order to adopt quickly to changing risk dynamics. The banks are always faced with different types of risks that may have a potentially negative effect on their business. Risk-taking is an inherent element of banking and, indeed, profits are in part the reward for successful risk-taking in business. Sound risk management systems enable banks to take risks knowingly, reduce risks where appropriate and strive to prepare for a future, which by its nature cannot be predicted.

The Bank has the structured risk management approach in managing uncertainty through risk assessment, developing strategies to manage it, and mitigation of risk using managerial services. The Bank's strategies include transferring the risk to another party, avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk.

The Bank follows the portfolio approach for the risk management. The Bank's proactive approach is aligned with the overall strategy of the Bank through an explicit risk appetite statement & explicit risk limit. The Bank has defined accountability for each risk and does not allow a risk to remain without an "owner". The Bank follows the qualitative measures to address the issues between risk takers to risk managers, customer, compliance risk, operational risks, money laundering, control and assurance profiles.

The Bank maintains a risk register as a repository of materials of risk and controls. It covers the gamut of risks. The Bank is well aware of the amount of capital that would be absorbed in the event that each of the risks identified were to be materialized and has opted different strategies for the mitigation and control of the risk including risk sharing.

The Bank has also brought into effect "Risk Management Framework" in order to minimize the risks as far as possible. The Bank has clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting, and control. The Bank has a well-constituted organizational structure defining clearly roles and responsibilities of individuals involved in risk-taking as well as managing it.

RISK MANAGEMENT AT THE BANK

The Bank, in addition to risk management functions for various risk categories, has set up a Risk Management Department to look after effective implementation of approved policies, procedures, regulator's directives, audit issues and decisions of management. For overall risk monitoring, a Risk Management Committee has been formed for reporting to BOD. The Risk Management Committee consists of five members in total i.e. three BOD members, Chief Risk Management Officer and Chief Operating Officer for review of risks associated with credit, operation, market, IT, corporate governance and compliance risk. There is an effective management information system that ensures the flow of information from operational level to top management and a system to address any exceptions observed. There is an explicit procedure regarding measures to be taken to address such deviations.

The risk management framework has a mechanism to ensure an ongoing review of systems, policies, and procedures for risk management and procedure to adopt changes. The results of such review should be properly documented and reported to the Board for consideration and approval.

RISK GOVERNANCE STRUCTURE



SPECIFIC METHODOLOGIES FOR RISK IDENTIFICATION AND MANAGEMENT

A) Credit Risk

Credit risk refers to the risk of default on a debt that may arise from a borrower failing to make required payments. At the first level, the risks are borne by the lender. These include lost principal and interest, disruption to cash flows, and increased collection cost.

RISK IDENTIFICATION	RISK MANAGEMENT
<ul style="list-style-type: none"> ■ The Bank has credit policy and investment policy in place, separate risk management committee and a separate credit risk department for both, corporate credit banking unit/ SME and consumer banking unit including fast track loan. Credit Risk Department consists of skilled manpower to analyze risks in different credit functions separately. ■ Loans are originated at the lower level and evaluated based on credit policy of the Bank and respective loan policy. Credit appraisal is done by risk owner acting within risk management policies and framework. Branch credit committees help strengthen credit evaluation process, who then recommend the credit facilities to higher approval level with the BOD being the highest authority to approve credit facilities that are of the highest value of exposure. ■ HHI measurement is used for Sector wise loans to know about the portfolio concentration in various sectors of loan. The result obtained is submitted to RMC meeting for information, update and needful initiatives. ■ The maximum risk exposure that can be absorbed under Credit Risk is being calculated on a quarterly basis and submitted to RMC for information and update. As per ICAAP, the Bank shall maintain capital headroom of 0.5%. (i.e. 11.50% as CAR). 	<ul style="list-style-type: none"> ■ Delegated authority, additional documentation and IT system driven controls and laid down procedures are in place to mitigate risk further. ■ Risk Management Committee discusses about Single Obligor exposure, product wise loan exposure, sector wise loan exposure and strategy for financing Working Capital loans exclusively secured by Current Assets and/ or insufficient real estate collateral (in addition to current assets). ■ Inherent credit risks are addressed through better safety margin, additional collateral backup, lower exposure and deposit of borrower in the Bank. ■ Credit risk department measures and tracks status of credit portfolio, conducted in order to detect any signs of deterioration in financial health to the borrower. Comprehensive management information reports are prepared regularly and submitted to senior management. Review of credit portfolio in order to realize possible correlations between them and the environmental factors. ■ The continuous review process at branch level in order to identify any post disbursement problem and immediate action is taken by recovery officers, if any. As last resort, legal recovery action is taken in order to reduce negative impact. ■ Risk Management Committee discusses strategically regarding Sector wise loans and its portfolio concentration which further is submitted to the Board.

B) Market Risk

Market risk refers to the possible losses to the Bank that could arise from the changes in market variables like interest rate, exchange rates, equity prices and commodity prices. In managing the market risk, the Bank uses a variety of quantitative methods to assess the Bank's market risk exposures, portfolio performance and impact on earnings.

RISK IDENTIFICATION	RISK MANAGEMENT
<ul style="list-style-type: none"> ■ Market risks are discussed in Assets Liabilities Management Committee (ALCO) and within respective division level on the open position on a daily basis. In-depth knowledge of the market and movement in variables are obtained in order to control limits for the open position and monthly reports prepared. The open position is assessed on daily basis and risk exposure calculated for allocation of required capital in line. ■ With the BASEL provision; ALCO ensures jobs are in line with policies and procedures and suggests necessary steps to address risk on interest rate, exchange rate movement and equity price changes. 	<ul style="list-style-type: none"> ■ Overview of current interest rate environment and monitoring of movement of key interest position and maturity gap analysis is prepared considering interest rate sensitive assets and liabilities. Interest rate risk indicators are periodically reviewed. The Bank's rate indices are compared in line with the market average of industry expert's rate indices of similar instruments with similar characteristics. ■ Interest rates are altered in line with key policy rate of Central Bank and interest rate spread is maintained accordingly as per Central Bank's directions. Lending rates are adjusted according to change in market rates in order to mitigate the risk of falling interest rate margins. (lending rates are based on base rate)

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| <ul style="list-style-type: none"> ■ Possible financial impact due to change in market conditions are assessed periodically and actions taken accordingly. The departments are well equipped with advanced dealing platform and information technology. ■ Value at risk (VaR) is also used as a tool for risk associated with Foreign exchange risk and equity risk. ■ Stress testing is a risk management tool used to evaluate the potential impact on a bank of a specific event and/or movement of a set of financial variables. Various risks in the banking businesses are mainly credit, market, operational and liquidity risks. Own scenario of stress testing report is prepared and submitted to RMC at least quarterly where assumptions and its impact on CAR, NPL ratio and liquidity ratio are calculated. (Assumptions of stress testing is reviewed yearly) ■ The Impact of Monetary Policy in the Bank is analyzed which further is submitted to RMC. | <ul style="list-style-type: none"> ■ Measurement of exchange rate shocks, measurement of exposure on proprietary derivative transaction, measurement of exposure on non-proprietary derivative transaction, measurement of interest rate shock, measurement of equity price shocks as required by Market Risk Management Policy which are discussed in Risk Management Committee meeting. ■ Value at risk (VaR) as a tool for risk associated with foreign exchange risk and equity risk is presented to RMC which further is forwarded to the Board for further discussions and recommendations. ■ Analyzed and evaluated Stress testing is presented to RMC, which further is forwarded to the Board for further discussions and recommendations. ■ The Impact of Monetary Policy is presented to the RMC which further is submitted to the Board for further discussions and recommendations. |
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C) Liquidity Risk

Liquidity risk is the risk arising from the Bank's potential inability to meet all payment obligations when they become due or only being able to meet those obligations at excessive costs. Liquidity risk arises when the cushion provided by the liquid assets are not sufficient enough to meet the obligations.

RISK IDENTIFICATION	RISK MANAGEMENT
<ul style="list-style-type: none"> ■ A negative trend or significantly increased risk in any area or product line. ■ Concentrations of either assets or liabilities. ■ Deterioration in quality of credit portfolio. ■ A decline in earnings performance or position. ■ Rapid asset growth funded by volatile large deposit. ■ A large size off-balance sheet exposure. ■ Deteriorating third-party evaluation (negative rating) about the Bank and negative publicity. ■ Unwarranted competitive pricing that potentially stresses the Bank. 	<ul style="list-style-type: none"> ■ Treasury department monitors daily liquidity requirement and manages and controls the overall liquidity position of the Bank. The Bank analyzes and reviews Capital Adequacy as per the risk assets, internal capital adequacy assessment plan (ICAAP), etc. ■ Treasury front office manages overall liquidity of the Bank. It also ensures that the Cash Reserve Ratio (CRR) is maintained within NRB directives. It also deals with treasury bills and bonds and manages the lending/ borrowing of currency (local/ foreign) with the local and international bank and financial institutions within the approved limit. These functions help in the analysis of maturity gap to determine the liquidity position of the Bank. As per the results of gap analysis, the Bank prepares future plan to manage the deficit or surplus liquidity as per the requirement of funds. While raising short-term funds, treasury negotiates for favorable rates to reduce interest costs, at the same time encouraging longer tenor deposits rather than short-term deposits. Also, in order to reduce liquidity risk to an acceptable level, the Bank also maintains adequate unutilized facilities as a safety cushion to honor future cash outflow commitments. ■ Moreover, the Bank regularly projects future cash flows in certain stress scenarios and thus determines the level of liquid assets required. There is appropriate stress testing done regularly for the management of the liquidity risk. ■ Risk Management Committee discusses about liquidity risk tolerance limit as per the Bank's Risk Management Framework.

D) Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may result in a financial loss and reputation risk to the Bank. Operational risk includes the internal fraud, external fraud, employment practices and workplace safety, clients, products and business practices, damages to physical assets, business disruption and system failure and execution, delivery and process management.

RISK IDENTIFICATION	RISK MANAGEMENT
<ul style="list-style-type: none"> ■ The factor of operational risk can be identified in the external as well as internal environment. The first step is to clearly identify the risk events, after which appropriate combination of qualitative or quantitative techniques is used to evaluate the magnitude of consequences due to the occurrence of such events. Key risk indicators and audit finding are mostly used to assess operational risk of the Bank. ■ The Internal Audit Department conducts the audit review of operation processes and reports to the board level Audit Committee. The Bank then regularly monitors faults or operation failures and responds to them with solutions and enhancements to internal procedures. ■ The Bank implements sound internal control system through instigating the Bank's internal control framework in order to manage operational risk. The security aspects of the Bank are examined by the IT Division in line with IT Policy of the Bank. Moreover, the Bank's system is audited regularly and safety and security standards are improved through suggestions received from the audit department. ■ The Operational Risk Management Committee oversees any operational risk with the help of adequate access to daily reports, operation procedures and recommendations to correct any faults, if any, in system and procedures. Further, a separate reporting line is maintained in order to preserve the independence of check and balance reporting of daily functions of the Bank. ■ The Bank has prepared a guideline on Key Risk Indicator (KRI), Key Performance Indicator (KPI) and Key Control Effectiveness Indicator (KCEI) which should be identified by the respective departments/branches and to prepare the report quarterly. 	<ul style="list-style-type: none"> ■ The adequate focus is placed on the staff of the Bank in order to avoid mistakes due to insufficient knowledge or practices. The Bank staffs are required to attain the necessary skills through various programs such as the orientation of the Bank's systems and processes on the job and putting them under the direct supervision of experienced staffs before being allowed to work independently. Their developments are pushed further with conduction of skill development and skill enhancement programs, seminars and workshops on a periodic basis. ■ Each transaction goes through a check and balance concept where one individual conducts the transaction and the other checks the transaction in order to capture any abnormalities. The deviations are promptly addressed in the lower level as well as centrally through the use of the integrated system. ■ For the effective management of operational risk, the Bank has constituted an Operational Risk Management Committee (ORMC) headed by Chief Risk Officer. The ORMC which supports RMC is responsible for implementing the Operational Risk Management Policy and adopting the best practices. The key functions of ORMC are: <ul style="list-style-type: none"> • Establish clear lines of management responsibility, accountability and reporting in such a manner that they are distinct to avoid conflict of interest. Review all operational risk associated events and suggest process improvements and mitigants. • Review recent risk event in other banks and elsewhere as availed in public domain and suggest key control required from operational risk perspectives. ■ Review operational loss database as per Operational Risk Management Framework of the Bank & thoroughly discuss in RMC meeting. ■ The prepared guideline on Key Risk Indicator (KRI), Key Performance Indicator (KPI) and Key Control Effectiveness Indicator (KCEI) under pre-implementation testing phase.

E) Strategic Risk

Strategic risk is a material risk that may arise from failure to execute strategy, failure to position the Bank strategically, or ineffective response to material negative plan deviations caused by external or internal factors. Strategic risk includes human resource risk, financial risk, structural resource risk, physical resource risk and relationship risk.

RISK IDENTIFICATION	RISK MANAGEMENT
<ul style="list-style-type: none"> ■ The Bank ensures that the short term and medium term strategies align with the long-term vision and mission of the institution. This is done through regular meeting at higher levels where there is sharing of knowledge, experience and ideas in order to discuss the Bank's future plans and prospects. The achievements of budgetary targets are reviewed periodically by senior management and any major deviations are further studied in detail and corrective actions are planned in order to avoid same circumstances in the future. ■ Deposit Forecasting of coming years is calculated using linear regression and weighted average which reflects whether the forecasted method is within the budget estimated. 	<ul style="list-style-type: none"> ■ The Bank follows a well-designed strategic decision-making process in order to make decisions regarding market segments, business activities, investments in special industries and geographical locations. As per general norms, the Bank focuses on feasibility, profitability and achievability of any major strategic decisions which is practiced in all of the Bank's aspects. ■ The calculated Deposit Forecasting report of coming years based on linear regression and weighted average is presented to RMC, which further is put up to the Board for further discussions and recommendations.

F) Compliance Risk

Compliance Risk is the current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreement, prescribed practices and ethical standards and can lead to fines, damages, and/or the voiding of contract and can diminish the Bank's reputation.

RISK IDENTIFICATION	RISK MANAGEMENT
<ul style="list-style-type: none"> ■ The Bank has Risk Register in place for all the departments encompassing all their crucial functions that needs to be complied with without fail which are reviewed, revised and updated as required. 	<ul style="list-style-type: none"> ■ The Bank has Risk Register in place for all the departments encompassing all their crucial functions that needs to be complied with without fail which is monitored on real time, daily and monthly basis. The risk reports are reported to the RMC periodically.

G) AML/CFT Risk

The Bank being the hub of all financial transactions, is under the constant risk of Anti-Money Laundering and CFT as well as other compliance risks, where the Bank has to handle each and every transaction delicately as not to cause hardships to any of the Bank's customers, nor let any of the suspicious transactions route/ pass through the Bank's system.

RISK IDENTIFICATION	RISK MANAGEMENT
<ul style="list-style-type: none"> ■ The Bank ensures that the transactions are well monitored and any transactions routed/ passed are as per policies/guidelines of the Bank and reported to concerned authorities within as time prescribed. 	<ul style="list-style-type: none"> ■ The Bank monitors such transactions and ensures the compliance of the entire regulatory, statutory requirements, applicable international practices and internal policy documents of the bank. The risk and reports are further discussed in Board through AML/CFT Committee.

H) IT Risk

The Bank may face the risk of IT and system frauds. The frauds and errors that arise out from the system and conducted through the computer system/ IT infrastructure or with the misuse of such systems. The recent developments in the IT has proven to be the technological advancement for business support, however, it also has equally increased the associated IT risk.

RISK IDENTIFICATION	RISK MANAGEMENT
<ul style="list-style-type: none"> ■ The Bank ensures the use of the updated systems and continuously monitors its transactions using advanced firewall technologies monitors the network activities and the deviations and/or malicious programs that has entered into the system or has been attempting to enter the banking network. The risks are identified during the risk assessment and various types of Information System (IS) Audits conducted periodically from independent reputed agencies. ■ IT risk is working under Risk Management Department and various IT related issues especially the security and associated risks are identified and informed to the Risk Management committee (RMC) through the Management. ■ IT Risk has presented various reports such as Vulnerability Assessment (VA) of various systems and applications of the Bank, policies and guidelines related with IT and security. 	<ul style="list-style-type: none"> ■ The Bank has placed the updated IT system and also checks for the regular updates to ensure that the banking system is being protected from malicious threats and back doors. The Bank has formed the IT Risk Department along with various committees such as IT Steering Committee, Risk Management Committee (RMC) to review IT related and other risks associated with it. ■ The Bank has implemented SWIFT Sanctions Screening system to secure and to comply transaction screening requirements from AML/CFT perspectives. The Bank has also implemented two factor authentications in SWIFT System. The SWIFT system is also running in the isolated system. ■ The IT system is tested using different technological tests on a regular basis and the report is presented to RMC for further discussions and recommendations. ■ The Bank has adopted the updated IT Policy and Control Procedure, Risk Management Policy and various procedures developed by Risk Management Department and other concerned departments. Major issues through the study and analyzed reports are shared with BOD members through the Committee meetings from Risk Management Department and other concerned departments on a regular basis.

DISCLOSURE OF RISK REPORTING

- The Bank recognizes the importance of risk management and has accordingly invested in processes, people and management structure. Overall risk management function of the Bank is supervised by Risk Management Committee, Anti Money Laundering Committee, Internal Audit Committee and Human Resource Compensation Committee constituting of the Board of Directors and senior executives. Risk Management Committee reviews the asset quality at frequent intervals, Anti Money Laundering Committee ensures effective operations of AML functions and Internal Audit Committee provides assurance on the internal control systems of the Bank in place. The human capital is managed by Human Resource Compensation Committee represented by BOD members and senior executives. There is Assets and Liabilities Management Committee (ALCO) represented by senior level executives of the Bank to monitor the interest rate risk, liquidity risk, foreign exchange risk, market risk, etc. Authority, responsibility and accountability have been fixed to the executives of the Bank. Product policies and programs are duly approved prior to launch of any new product and are reviewed regularly.
- Credit risk management department analyses the inherent risk in a particular product. As such the Bank has drawn a clear demarcation between the Credit Business Unit (CBU) and the Risk Management Unit (RMU). A lending process completes once it undergoes through both of these units, one business generating and the other risk monitoring and controlling. The Bank has standard credit policies guidelines that define the Bank's credit policies, risk-mitigating measures and single obligor limit.
- Credit risk mitigants used by the Bank are deposits of the borrower within the Bank and cash margin applying a supervisory haircut of 20% for capital adequacy. Such mitigants have minimum impact on the overall capital adequacy of the Bank.

S.N	RISK	FACTORS	MITIGANTS	MONITORED BY
1	Credit Risk		Independent and ongoing credit quality review	Board of Directors
		Counter Party Risk	Limiting credit exposures	Risk Management Committee (Board Level Committee)
		Concentration Risk	Problem credit management system	Credit Risk Management Department
		Securitization Risk	Diversification of risk assets portfolio among several sectors and sub-sectors of the economy over a large number of customers	Compliance Department
			Deposits of borrower in bank, cash margin and additional collateral at individual level	NRB Inspection Team
			Proper valuation, storage, maintenance and insurance of collateral	Internal Audit Department
2	Market Risk			Board of Directors
			Selective and momentary hedging	Organizational Structure
		Interest Rate Risk	Stress testing/Simulation of market condition	Risk Management Committee
		Equality Risk in Banking Book	Gap Analysis	Assets and Liabilities Management Committee (ALCO)
		Commodity Price Risk	Limiting trading activity of instruments in the different market	Internal Audit Department
		Credit Spread Risk	Regular review of risk management processes	Treasury Department
		Foreign Exchange Risk	Regular review of Risk Tolerance and appetite limit	Treasury Middle Office
			Measurement of equity price shocks	
			Measurement of interest rate shocks	
			Measurement of Exchange Rate Shocks	
			Value at Risk calculation for Equity Risk analysis	
			Value at Risk calculation for Foreign Exchange Risk analysis	
			Interest rate related risk monitoring	
			Appropriate Composition of assets and liabilities	
3	Liquidity Risk	A negative trend or significantly increased risk in any area or product line	Diversification and stable source of fund	
		Deterioration in the quality of credit portfolio	Access to inter-bank market	Board of Directors
		Concentrations of either assets or liabilities	Contingency funding plan for a crisis situation	Assets and Liabilities Management Committee (ALCO)
		Rapid assets growth funded by highly volatile large deposits	Regular Stress Testing	Treasury Department
		A large size of off-balance sheet exposures	Cushion of liquid assets held	Treasury Middle Office

		Deteriorating third-party evaluation (negative Rating) about the Bank and negative publicity	Consistent analysis using liquidity ratio	Internal Audit Department
			Review of Deposit Mix Concentration	
			Appropriate Foreign Currency Liquidity Management policies	
4	Operational Risk		Well defined documentation and updated process, manuals and policies	
		Inadequate internal control system	Effective operational risk management framework	
		Inadequate management of information system	Periodic evaluation based on internal and external changes	Board of Directors
		Corporate Governance	Regular assessment of risk through use of established Key Risk Indicators (KRI)	Risk Management Committee
		Inadequate safeguarding of physical assets	Reinforce organizational ethics	Operational Risk Management Committee
		Unforeseen unfavorable external events	Appropriate segregation of duties and control	Audit Committee
		System failure	Adequate insurance coverage	Internal Audit Department
		Legal Risk	Scenario analysis using bottom-up approach	Line management
		Internal and External Fraud	Effective Operation Risk Management Framework	
			Effective Operation Risk Management Policy	
			Regular assessment of risk through maintenance of Operation loss database	
			Continuous development and upgrading of strategy information and communication systems	
5	Strategic Risk	Inappropriate choice and unclear strategy	In-depth study of the subject matters	
		Failure to properly execute strategy	Regular performance review to align with long-term goals	Board of Directors
		Inability to respond to abrupt changes or fast moving conditions	Use of integrated Decision Support System (DSS)	Other Sub-committees
		Incompatible strategy goals and resources deployed	Market and competitor analysis	Internal Audit Department
		Undertaking of unsuccessful acquisitions or mergers	Good corporate governance, business ethics, staff code of conduct, maintaining good relationships with stakeholders etc	
6	Compliance Risk	Non- Compliance of Acts, Rules, Guidelines, Directives, Agreements and Standards	Maintenance of Compliance Risk Register	Line Management Compliance Department

7	AML/CFT Risk	Risk of money laundering and terrorists financing transaction pass through Bank's system	Automated Real Time transaction threshold	Front end staffs like Customer Service Department, Tellers, Branch Managers and Relationship Managers
			Sanction Screening prior to establishment of Relationship and Batch Screening on regular basis	AML/CFT Compliance Officer
			Customer due diligence on regular interval	
			Transaction monitoring	
			Suspicious Transaction Reporting	
8	IT Risk	Frauds and errors arising from computers and IT infrastructure misuse from outside and within the Bank	Use of updated and genuine softwares and hardwares	IT department
			Annual Information System Audit	Audit Committee
			Regular Drills to check robustness of Business Continuity Plans, Firewalls, etc.	IT Department

RISK OVERVIEW

S.N	PARTICULARS	MAXIMUM RISK TOLERANCE UNIT AS PER REGULATOR	POSITION AS ON MID JULY 2020
1	Credit Risk		
a	Capital Adequacy Ratio	Minimum 11%	15.56%
b	Non Performing Loan Ratio	5%	1.46%
c	Real Estate Loan	25%	6.40%
d	Single/group borrower limit	25% of core capital	16.33%
2	Liquidity Risk		
a	Maximum Single depositor concentration	10%	5.95%
b	Institutional Deposit concentration	50%	43.04%
c	SLR (Statutory Liquidity Ratio)	Minimum 12%	19.30%
d	Credit to Deposit Ratio (CCD Ratio)	80%	70.76%
e	Liquidity Ratio	Minimum 20%	26.14%
f	Cash Reserve Ratio	3% of weekly Average deposit of two weeks ago	4.22%
g	Average Interest Spread	4.40%	4.03%
3	Market Risk		
a	FCY Open Position	30% of Core Capital	13.91%
b	Proprietary Derivative Transaction	30% of Core Capital	27.27%
3 (i)	Interest Rate Shocks	Impact on Total Cost in NPR Million	
	Deposits Interest rate change (+,-) by 1 % on an average		2.53
	Deposits Interest rate change (+,-) by 1.5 % on an average		3.79
	Deposits Interest rate change (+,-) by 2 % on an average		5.05
	Loan Interest rate change (+,-) by 1 % on an average		2.23
	Loan Interest rate change (+,-) by 1.5 % on an average		3.34
	Loan Interest rate change (+,-) by 2 % on an average		4.45
3 (ii)	Exchange Rate Shocks	Impact on Total Cost in NPR Million	
	Appreciation of currency exchange rate by 5%		70.19
	Depreciation of currency exchange rate by 5%		(70.19)
3 (iii)	Equity Price Shocks	Impact on Total Cost in NPR Million	
	Fall in Equity Price by 25%		(20.80)
	Fall in Equity Price by 50%		(41.59)

STRUCTURAL LIQUIDITY REPORT

The Bank analyses the assets and liabilities funding gap through Statement of Structural Liquidity which shows the assets and liabilities funding gap in various time buckets. All the sources of funds and assets have been allocated in time buckets as per their contractual net amount and percentage. The negative gap indicates that the liquidity needs to be managed and vice versa.

The Bank's overall funding strategy is to develop a diversified funding base (both geographically and by type) and maintain access to a variety of alternative funding sources, to provide protection against unexpected fluctuations, while minimizing the cost of funding.

STATEMENT OF STRUCTURAL LIQUIDITY

As on July 15, 2020

NPR IN MILLION

S.N.	PARTICULARS	1-90 DAYS	91-180 DAYS	181-270 DAYS	271-365 DAYS	OVER 1 YEAR	TOTAL AMOUNT
Assets							
1	Cash Balance	3,062	-	-	-	-	3,062
2	Balance with Banks & FIs	5,424	-	-	-	-	5,424
3	Investment in Foreign Banks	2,614	180	-	-	-	2,794
4	Call Money	1,306	-	-	-	-	1,306
5	Government Securities	558	282	288	-	10,055	11,182
6	Nepal Rastra Bank Bonds	-	-	-	-	-	-
7	Inter Bank & FI Lending	981	-	-	-	-	981
8	Loans & Advances	24,743	9,891	6,822	4,792	36,550	82,798
9	Interest Receivable	13	9	3	-	122	147
10	Reverse Repo	-	-	-	-	-	-
11	Acceptance Receivables	-	-	-	-	-	-
12	Payment to be made for facilities under s.no 20,21 & 22	10,371	6,907	4,770	7,438	3,081	32,567
13	Others	1,350	196	-	-	3,352	4,897
	Total Assets (A)	50,421	17,464	11,883	12,231	53,160	145,158
Liabilities							
14	Current Deposits	1,181	-	-	-	3,884	5,065
15	Saving Deposits (Including Call)	7,506	1,715	857	857	21,257	32,193
16	Fixed Deposits	11,458	11,415	7,652	9,912	14,510	54,947
17	Debentures	-	-	-	-	2,974	2,974
18	Borrowings:	525	11	31	-	-	568
	(a) Call/Short Notice	-	-	-	-	-	-
	(b) Inter-bank/ Financial Institutions	-	-	-	-	-	-
	(c) Refinance	525	11	31	-	-	568
	(d) Others	-	-	-	-	-	-
19	Other Liabilities and Provisions	1,331	-	-	-	-	1,331
	(a) Sundry Creditors	25	-	-	-	-	25
	(b) Bills Payable	133	-	-	-	-	133
	(c) Interest Payable	41	-	-	-	-	41
	(d) Provisions	38	-	-	-	-	38
	(e) Others	1,095	-	-	-	-	1,095
20	Acceptance Liabilities	1,335	133	12	68	74	1,621
21	Irrevocable Loan Commitment	3,735	4,668	3,735	6,536	-	18,673
22	Letter of Credit/Guarantee	5,301	2,106	1,024	834	3,008	12,273
23	Repo	-	-	-	-	-	-
24	Payment to be made for facilities under S.No 11	-	-	-	-	-	-
25	Others	350	123	73	64	14,903	15,513
	Total Liabilities (B)	32,723	20,171	13,383	18,271	60,610	145,158
	Net Financial Assets (A-B)	17,698	(2,707)	(1,500)	(6,041)	(7,450)	-
	Cumulative Net Financial Assets	17,698	14,991	13,491	7,450	-	-

Although, current accounts are repayable on demand, savings accounts at short notice and term deposits on maturity, the Bank's broad base of customers-numerically and by depositor type-helps protect against unexpected fluctuations in balances. A portion of such accounts form a stable funding base for the Bank's operations and liquidity needs as they are never withdrawn and renewed on contractual maturity.

The assets and liabilities of the Bank has been allocated on different time buckets as under:

	HEADS OF ACCOUNT		CLASSIFICATION INTO MATURITY BANDS
A	Inflows		
1	Capital, Reserve & Surplus		Over 1 year
2	Deposits		
	Current		
	Volatile	15%	1-30 days
	Core*	85%	Over 1 year
	Saving		
	Volatile	10%	1-30 days
	Core*	90%	Over 1 year
	Call		
	Term		Respective Residual Maturity Bands
	Margin		
3	Borrowings		Respective Residual Maturity Bands
	Inter-Bank		
	Refinance		
4	Other Liabilities		1-30 Days
5	LLP		Respective Residual Maturity Bands
B	Outflows		
1	Cash		1-30 days
2	Balances with NRB & Other Banks		1-30 days
3	Placement with Banks		Respective Residual Maturity Bands
4	Investment		Respective Residual Maturity Bands
	Government Securities		
	Shares		Above 1 year
5	Loans and Advances (Performing)		Respective Residual Maturity Bands
	Bills Purchased and discounted		
	Cash Credit/ Overdraft/Working Capital		
	Term Loans		
6	Non-Performing Assets (Net of provisions)		
	Sub-standard		Over 1 year
	Doubtful and Loss		Over 1 year
7	Fixed Assets		Over 1 year
8	Other Assets		1-30 days

The Bank has well defined Contingency Funding Plan for managing short term and long term liquidity risk. During the year FY 2019/20, no liquidity risk-triggering event was identified. However, Cash Reserve Ratio position of the Bank has been managed through inter bank borrowing and liquidity position of the Bank through collection of deposit i.e. current, call and saving including fixed deposit.

BANK'S CONTRIBUTION & RESPONSIBILITIES TO EMPLOYEES

As of mid-July 2020, there are 1137 employees working for the Bank. During the fiscal year, the Bank had appointed 323 new employees, whereas, 159 employees had resigned from the Bank's services. Out of the total employees, 507 (44.6 percent) are female employees. For providing more accessible and quicker banking service with a commercial motive to its customers, the Bank has been continuously providing training and development programs to its employees. Further, the Bank shall adopt the same training policies for the coming years.

The Bank seeks engagement with employees at all levels to bring out their talent, loyalty and drive individual and garner collective performance. The Bank organizes walkathon, blood donation program, interbank futsal tournament, intra bank cricket tournament on the occasion of anniversary of the Bank for creating high level of employee engagement.

STRATEGIC PRIORITIES	PERFORMANCE HIGHLIGHTS
Invest strategically in employee growth through training and development programs in line with the Bank's long term goals.	Revised remuneration packages of employees based on their performance. Incentive package to motivate for optimum employee performance and recognition of outstanding performer through reward system.
Benchmark employee compensation packages to attract and retain the best talent.	Organized programs for 265 new recruits.
Foster employee diversity and promote equal opportunities.	Continued on the job training for staff at departmental and branch levels. Intensive online training due to global COVID-19 pandemic.
Support employee well-being through work-life balance, welfare and health and safety measures.	Reduced staff turnover by retaining staff with measures such as performance-based pay, adequate promotions and instilling best staff cultures.

RECRUITMENT:

The Bank's recruitment process follows a strictly structured and competitive procedure with clear criteria with regards to job descriptions, qualifications, experience and aptitudes, where the selection is made solely based on merits. Furthermore, in order to support the local communities where the branches operate, the Bank recruits employees within the local area. This not only increases the bonds and sense of responsibilities, but also brings local knowledge to the Bank which ultimately escalates the quality of service being provided. Even though this still proves a strong challenge to the Bank, our aim of being the best in the business is only asserted by the policy.

In addition, the Bank provides adequate induction programs in order to deliver new recruits with insight into the culture, values, goals and code of ethics of the Bank. It includes orientation programs that generally cover all departments and the employees' specific job responsibilities as well.

EMPLOYEE DIVERSITY:

The Bank exhibits its commitment towards equal opportunities to a greater diversity of employees, irrespective of ethnicity, gender, culture and other socio-economic prejudices by focusing on addressing these barriers that may exist between the employees, at the same time, promoting a work culture that alleviates any conflict arising from varied outlooks. Moreover, the Bank's recruitment policy is set on the principle of equal opportunities in order to attract the best talent from varied cultures and backgrounds and therefore form a multi-skilled workforce. Furthermore, the Bank can confidently assure that the remuneration, incentives, benefits and promotion are not subject to any form of discrimination. This is further demonstrated by the fact that during the year, the Bank did not record any incidents of discernment towards employees and if any may occur in the future, there are already existing measures and procedures in place to address such issues.

REMUNERATION AND REWARDS:

The remuneration packages of the Bank are aligned with the industry norms and certain intra industry benchmarks, while also considering the current status of the country's economy. The package normally includes basic pay, allowances, incentives, and bonus which are all subject to job responsibility of the individual employee and the performance of the individual employee and as a team as well. The packages are reviewed every two years to ascertain that the pay matches the quality of service provided by the employee and that they are in line with the current economy and industry norms. Moreover, as ascertained above, the remuneration policy is not biased against any social impartiality. Apart from regular remuneration package, the Bank provides leave fare allowance, 1-2 months' salary as additional perk to staff completing five years of service depending on the profit of the Bank. Similarly, employees completing 10 years of service are rewarded with gold medal as a part of employee recognition. Likewise, quarterly performance incentive is provided to staff who achieve the segment wise target for deposit, loan and cross selling. Further, the Bank also

provides reward on individual/department/brand basis who depict outstanding performance during a period.

STAFF FACILITIES:

Besides regular salary, allowances and provident fund, the compensation package for the staff includes auto loan, home loan, credit card facility, uniform facility and other advances which are periodically reviewed. The Bank also provides leave facilities, gratuity, additional employee retirement fund depending on the profit of the Bank, which includes salary of 1-2 months. The Bank has provided loan facilities to 324 staff (41.91 percent of total permanent staff).

PARTICULARS	AMOUNT (NPR)	
	2019/20	2018/19
Staff Auto Loan	54,110,742	60,923,242
Staff Home Loan	969,062,536	342,232,169
Revolving Salary Advance	61,184,445	63,596,887
Credit Card		3,973,657
TOTAL	1,084,357,723	470,725,955

LEAVE FACILITIES:

PARTICULARS	NO. OF DAYS
Annual Leave allowed (including 10 days forced leave)	30
Sick Leave allowed	12
Casual Leave allowed	9
Maternity Leave allowed	60
Paternity Leave allowed	15
Other Leave (Obsequies)	15

PERFORMANCE EVALUATION

The Bank always aims to improve and encourage high performance, not only on the individual level, but as a team as well. In order to support such policy, the Bank has in place a well-structured but challenging process to evaluate employee performance on an annual basis. This encourages constant communication between the higher level and lower level employees and motivates the staff by enabling effective succession planning, career mapping and structured and focused training. Performance evaluation is assessed through certain criteria, such as pre-agreed operational targets, discipline, punctuality and attitude, where high achievers are rewarded for their strengths, while remedies and support are provided to others to address their weaknesses.

TRAINING AND DEVELOPMENT

The Bank has invested to provide adequate training and development program to its employees. The Bank believes that the employees are the core strength of the Bank, where they play a very significant role in the success of the Bank. Therefore, the employees are periodically provided with training opportunities in order to develop the necessary skills to not only survive, but also compete in this dynamic industry. The focus is provided such that long-term goals of the employees and the Bank are in line with each other. The structured, pragmatic and challenging training plans have enabled the Bank to eExtract maximum benefits from the available employees, thus, providing maximum utilization of human resources with minimum diversions. The employees are further encouraged to share their knowledge with fellow colleagues to strengthen the technical expertise at hand. Moreover, on the job training at relevant positions across the branches and departments are a significant portion of the Bank's training plans. Furthermore, employees in specific departments are provided with precise technical knowledge to help them nurture in the specific field of knowledge.

TRAINING CONDUCTED (2019/20)

S.NO.	PARTICULARS	NO. OF TRAINING
1	Outside Training	121
2	Province-wise Training	27
3	Inhouse Training	7
4	On the Job Training	4
5	Orientation	7
6	India Training	10
7	Omega Certificate	1
8	Online Training	19
	TOTAL	196

PROVINCE-WISE STAFF BENEFITED

S.NO.	PROVINCE	NO. OF STAFF BENEFITED
1	Province 1	79
2	Province 2	139
3	Province 3	528
4	Province 4	40
5	Province 5	85
6	Province 6	28
7	Province 7	37
	TOTAL	936

EMPLOYEE TURNOVER AND RETENTION

The Bank aims to maintain minimum staff turnover rate by providing a platform for the employees to develop their careers by helping them develop their skills and enhance their well-being as individuals and collectively as a team as well. This is further addressed by the Bank as there is constant interaction with the employees in areas such as grievance handling, amendments in the job description and structured job rotations. Moreover, the employees are not only provided with new opportunities, remuneration packages and benefits, but are also further encouraged to balance work life with their social responsibilities so that no employee feels tied down to work all the time.

SUCCESSION PLANNING

Succession planning as a continuous process in the Bank is supported by the annual performance evaluation system which helps to identify employees displaying the necessary skills to take it to the next level such as leadership and management skills. In order to endow the future leaders of the Bank, the employees are mentored and trained by the current leaders through on the job training and structured routine program. This ensures a smooth transition for the employees between current job and responsibilities and potential future positions.

EMPLOYEE WELL-BEING

Employee well-being at the Bank is seen as an opportunity for the employees to live a well-balanced life between work and home and for the Bank to maintain higher productivity level, lower job absenteeism and control staff turnover. The Bank has in place a well-established and flexible leave system to give employees enough independence in order to give adequate time to their personal lives. This, in turn, helps the Bank in improving employee's efficiency at work through work-life balance.

MEASURE OF EMPLOYEE WELL-BEING THROUGH STAFF EXPENSES

PARTICULARS	AMOUNT (NPR)	
	2019/20	2018/19
Salary	296,165,824	253,280,265
Allowance	212,421,6834	228,721,667
Gratuity Expense	29,185,132	17,415,576
Provident Fund	29,386,946	24,362,365
Uniform	7,176,892	8,577,540
Training and Development	11,150,001	15,982,722
Leave Encashment	36,493,815	58,346,497
Medical	3540481	2,203,446
Insurance	1762331	1,804,440
Employee Incentive	-	-
Finance Expense under NFRS		21,195,332
Employee Bonus		241,957,093
Other Expense Related to staff	4,902,059	26,397,410
TOTAL	632,185,164	900,244,354

HEALTH AND SAFETY

The Bank being a family cares for its employees' health and safety in addition to the development of their skills and knowledge. Therefore, the Bank has in place reasonable measures to ensure health and safety of the employees at the workplace which includes comprehensive medical and accidental insurance policy. Furthermore, the Bank also focuses on the quality of the workspace to ensure physical safety of the employees in the workplace. The Bank complies with best practices and is equipped with necessary safety measures in order to safeguard employees and the Bank's infrastructures from fire, system failures and other work hazards. Moreover, the branches are also equipped with first aid kits for immediate response to any mishaps.

GRIEVANCE HANDLING

The Bank encourages staff to express themselves to immediate line managers in areas of complaints, feedback and other issues. The Bank maintains policies and practices where the supervisors are suggested to address the employees' grievances under the guidance of the HR department. If this proactive method is not sufficient, the employees have the option to initiate an independent formal process that the Bank has already put in place.

STAFF COMPOSITION

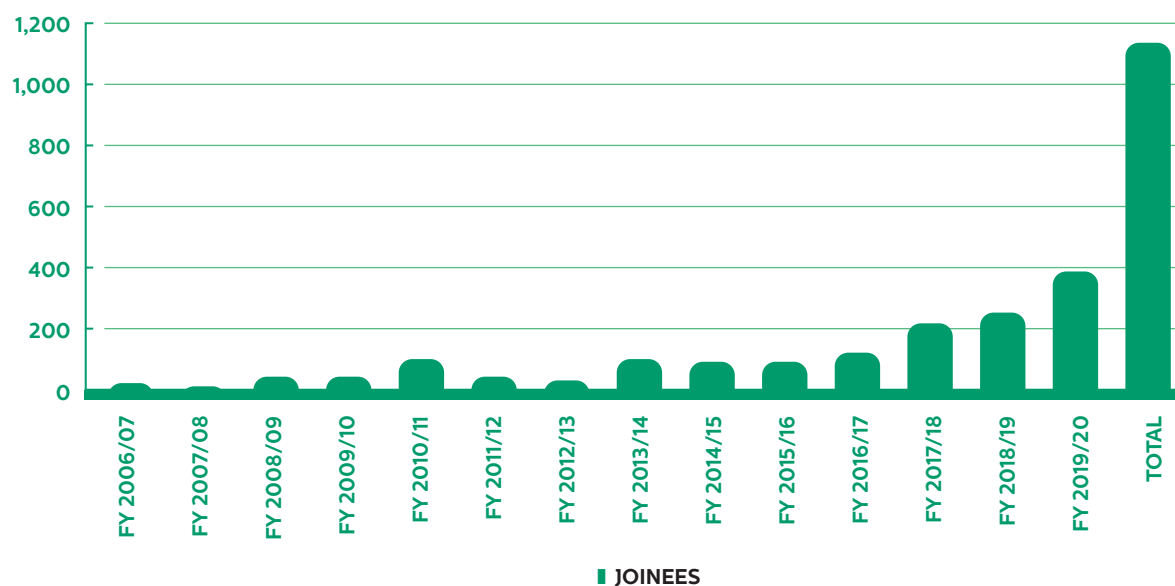
The Bank's staff consists of competent individuals of various age groups, corporate titles and contractual status. The Bank focuses on equal opportunities to all and is unbiased towards genders.

KEY HUMAN RESOURCE INDICATOR

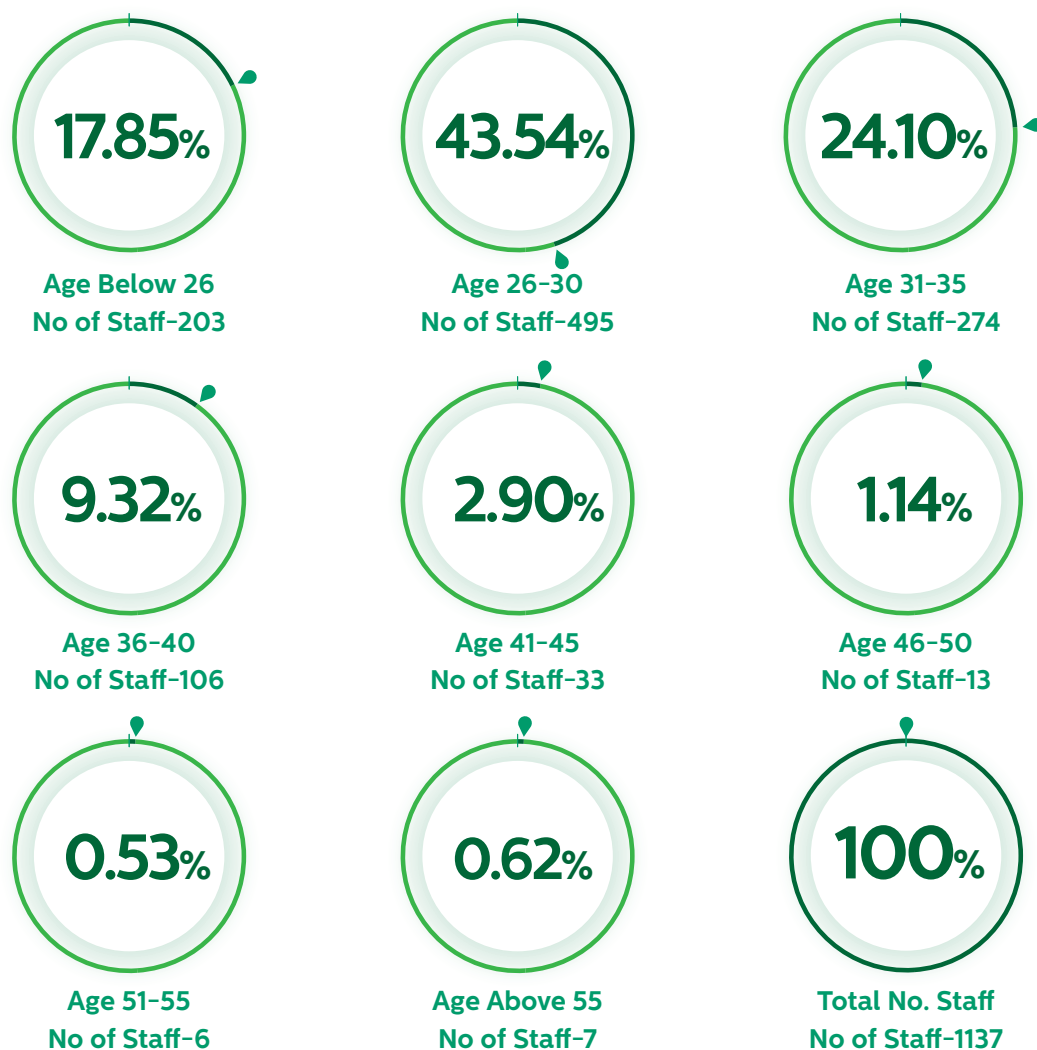
a) Employee Mix on the basis of date of Joining

JOINING DATE FROM START OF BANK	NO OF STAFF	% OF STAFF
2019/20	294	25.86
2018/19	205	18.03
2017/18	177	15.57
2016/17	99	8.71
2015/16	79	6.95
2014/15	73	6.42
2013/14	75	6.6
2012/13	12	1.05
2011/12	15	1.32
2010/11	44	3.87
2009/10	24	2.11
2008/09	15	1.32
2007/08	7	0.61
2006/07	18	1.58
TOTAL	1137	100%

ON THE BASIS OF DATE OF JOINING



b) Employee Mix on the basis of Age



c) Employee Mix on the basis of Gender



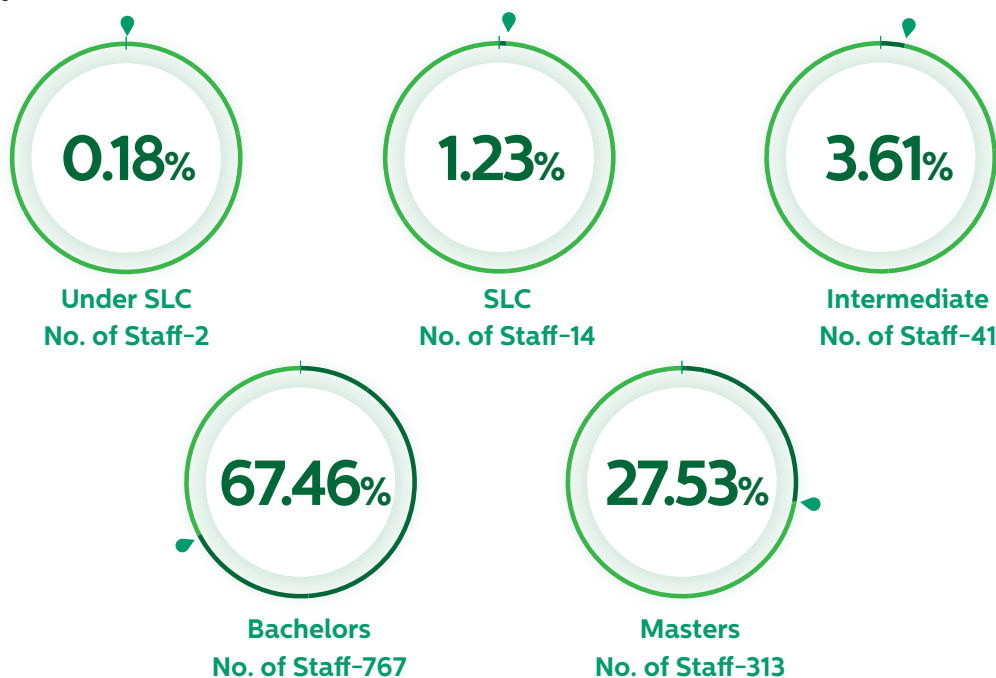
d) Employee Mix on the basis of Marital Status



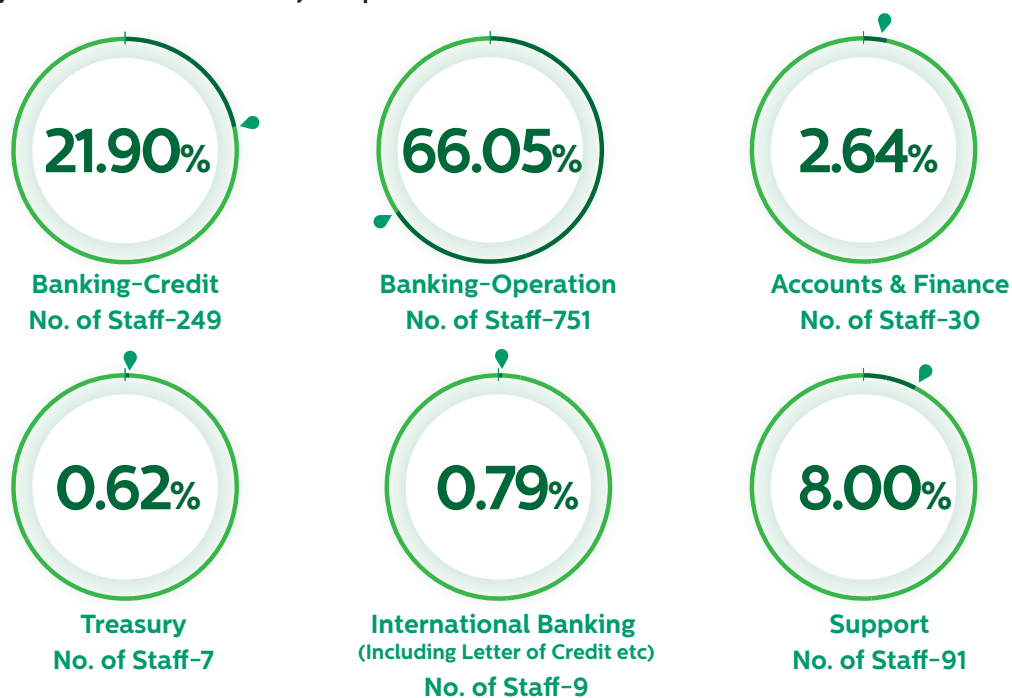
e) Employee Mix on the basis of Branch per Province and Staff per Province



f) Employee Mix on the basis of Academic and Professional Educations



g) Employee Mix on the basis of Major Experience



h) Employee Mix on the basis of Nature of Employment

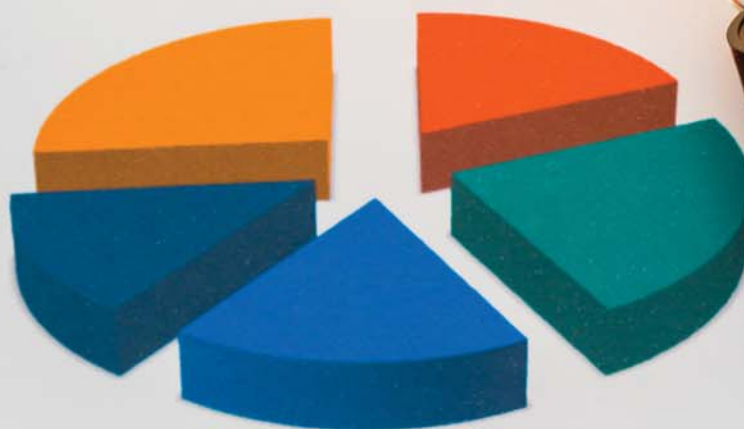


1091
PERMANENT
EMPLOYEES

46
CONTRACT
EMPLOYEES

i) Reconciliation of Staff movement during the year

NO. OF STAFF AT THE START OF THE YEAR	973
Less:	
No. of Staff left during the year due to resignation	158
No. of Staff left during the year due to disciplinary actions	0
No. of Staff left during the year due to completion of service tenure	0
No. of Staff left due to other reasons during the year (like death, permanent disability)	1
Add:	
New Recruit during the year	239
Staff Addition during Merger & Acquisition during the year	84
No. of Staff at the end of the Year	1137



04

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ECONOMIC INDICATORS AND OUTLOOK

ECONOMIC GROWTH RATE AND GOVERNMENT EXPENDITURES

According to the Central Bureau of Statistics (CBS), the real GDP at the basic price is estimated to have grown 2.28 percent in 2019/20 compared to 6.99 percent in the previous year.

Gross domestic saving to GDP stands 18.1 percent in 2019/20 from 20.5 percent in the previous year. Ratio of gross capital formation, gross fixed capital formation and gross national saving to GDP stands 50.15 percent, 28.14 percent and 46.03 percent respectively in the review year as compared to 62.3 percent, 36.9 percent and 52.4 percent in the previous year.

The federal government has presented a budget of NPR 1474.65 Billion for the 2020/21, which is 34.3 percent of GDP. The share of current expenditure, capital expenditure and financing expenditure in the total budget is 64.4 percent, 23.9 percent and 11.7 percent respectively.

The province governments have presented total budget of NPR 264.21 Billion for 2020/21, which is 6.2 percent of GDP. In the previous year, province governments had presented total budget of NPR 259.57 Billion.

SHARE MARKET

NEPSE index increased by 8.21 percent to 1,362.4 points in mid-July 2020 from 1,259.02 points in the corresponding period of the previous year. Stock market capitalization in mid-July 2020 stood NPR 1792.76 Billion compared to NPR 1567.50 Billion in mid-July 2019. Market capitalization to GDP ratio increased from 45.3 percent in mid-July 2019 to 47.6 percent in mid-July 2020.

INFLATION AND PRICE LEVEL:

Consumer price inflation

The annual average consumer price inflation stood at 6.15 percent in 2019/20 compared to 4.64 percent in the previous year. This is indicative of recent built up inflationary pressure.

In the terms of ecological regions, the Kathmandu Valley witnessed a relatively higher annual average inflation at 6.96 percent followed by Terai region at 6.29 percent, Hilly region at 5.10 percent and Mountain Region at 4.91 percent in the review year. The inflation rate was 4.91 percent in the Mountain region, 5 percent in Hilly region, 4.26 percent in Terai region and 4.86 percent in Kathmandu valley in the previous year.

WHOLESALE PRICE INFLATION

The y-o-y wholesale price inflation stood at 5.60 percent in 2019/20 compared to 5.41 percent a year ago.

CURRENT ACCOUNT AND BALANCE OF PAYMENT (BOP)

The current account deficit decline to NPR 32.06 Billion in the review year compared to a huge deficit of 265.36 Billion in the previous year.

Similarly, the Overall BOP recorded surplus of NPR 282.41 Billion in the review year. The deficit in Balance of Payment was NPR 67.4 Billion in the previous year.

In the review year, Nepal received capital transfer of NPR 14.21 Billion and Net Foreign Direct Investment (FDI) inflow of NPR 19.48 Billion. In the previous year, capital transfer and FDI inflows were NPR 15.46 Billion and NPR 13.06 Billion respectively.

LIQUIDITY MANAGEMENT

In the review year 2019/20, NPR 219.16 Billion liquidity was injected through open market operations. Under this provision, NRB injected liquidity of NPR 115.87 Billion from repo auction and NPR 103.28 Billion liquidity was availed through Standing Liquidity Facility (SLF).

In the review year, the NRB injected net liquidity of NPR 492.24 Billion through the net purchase of USD 4.21 Billion from foreign exchange market. Net liquidity of NPR 360.91 Billion was injected through the net purchase of USD 3.19 Billion in the previous year.

In the review year, the NRB mopped up NPR 78 Billion through open market operations. In the previous year, NPR 100.35 Billion liquidity was mopped up.

NRB purchased Indian currency (INR) equivalent to NPR 442.13 Billion through the sale of USD 3.82 Billion and other foreign currencies in the review year. INR equivalent to NPR 516.97 Billion was purchased through the sale of USD 4.24 Billion and other convertible currencies in the previous year.

INTER-BANK TRANSACTION AND STANDING LIQUIDITY FACILITY

In the review year, inter-bank transactions of commercial banks stood at NPR 1501.45 Billion and those of other financial institutions (excluding transactions among commercial banks) amounted to NPR 129.40 Billion. Such transactions were NPR 1,775.11 Billion and NPR 209.55 Billion respectively in the previous year. In the review year, commercial banks and financial institutions used the Standing Liquidity Facility (SLF) of NPR 103.28 Billion.

INTEREST RATES

The weighted average 91-day Treasury Bill rate decreased to 1.27 percent in mid July 2019/20 from 4.97 percent a year ago. The weighted average inter-bank transaction rate among commercial banks that was 4.52 percent a year ago, decreased to 0.35 percent in the review period.

Weighted average interest rate spread between deposit and lending rates of commercial banks decreased to 4.10 percent in the review month from 5.53 percent a year ago. Likewise, the average base rate of commercial banks decreased to 8.50 percent in the review month from 9.57 percent a year ago.

DEPOSIT MOBILIZATION

Deposits at Banks and Financial Institutions (BFIs) increased by 18.7 percent in the review year compared to an increase of 18 percent in the previous year. Out of total deposits of BFI on mid-July 2020, current, savings and fixed deposit were respectively: 10 percent, 31.9 percent and 48.6 percent. This was 9.7 percent, 32.8 percent and 46.3 percent in the previous year.

LOANS AND ADVANCES

Credit to the private sectors from BFIs increased by 12 percent in the review year compared to a growth of 19.4 percent in the previous year. In the review year, private sector credit from commercial banks increased by 16 percent whereas credit from development banks and finance companies increased by 8 percent and 16.2 percent respectively.

Indicators reflected the decrease in economic growth due to lockdown called by Government to encumber the spread of COVID 19.

PRICE OF OIL AND GOLD IN THE INTERNATIONAL MARKET AND EXCHANGE RATE MOVEMENT

The price of oil (Brent Crude Oil) in the international market decreased by 33.3 percent to USD 43.96 per barrel in mid-July 2020 from USD 65.87 per barrel a year ago. The price of gold increased by 28 percent to USD 1,804.60 per ounce in mid-July, 2020, from USD 1,409.85 per ounce a year ago.

Nepalese currency vis-à-vis the US dollar depreciated by 9.15 percent in mid-July, 2020 from the level of mid-July 2019. It had depreciated 0.02 percent in the previous year. The buying exchange rate per US dollar stood at NPR 120.37 in mid-July, 2020 compared to NPR 109.36 in mid-July, 2019.

REVIEW OF FINANCIAL MARKET OF THE COUNTRY

As a result of the merger and acquisition drive, the total number of BFI licensed by NRB stands 155 in mid-July, 2020 from 171 a year ago. In mid-July, 2020, the total number of commercial banks stood at 27, development banks at 20, finance companies at 22, microfinance development banks at 85 and 1 infrastructure development bank. The total number of BFI's branches reached 9765 in mid-July, 2019 from 8686 a year ago. The number of BFIs involved in merger and acquisition has been increasing after the introduction of merger/ acquisition policy aimed at consolidating financial sector. 196 BFIs (including 'D' class) were involved in merger and acquisition since NRB introduced the regulatory procedure regarding merger and acquisition. Out of which, the license of 150 BFI was revoked thereby forming 46 BFIs.

INTERNATIONAL MARKET REVIEW

INTERNATIONAL INVESTMENT POSITION (IIP)

The International Investment Position (IIP) is the summary statement of Foreign Assets and Liabilities of a country. The IIP shows that foreign assets and liabilities of Nepal stood at NPR 1467.79 Billion and NPR 1195.83 Billion respectively in the mid-July 2020. Accordingly, the IIP remained in surplus by NPR 271.96 Billion as at mid-July, 2020. Such surplus was NPR 118.86 Billion in mid-July, 2019.

EXPORT AND IMPORT PRICE INDEX

The annual average unit value export price index based on customs data decreased by 1.2 percent, while import price index decreased by 3.7 percent in the review year. Consequently, the Terms of Trade (TOT) index increased by 2.6 percent compared to a increase of 3.2 percent in the corresponding period of the previous year.

The export-import ratio increased to 8.2 percent in the review year. This implies the size of import is almost 8.2 times larger than the size of export in the review year. The export-import ratio was 6.8 percent in the previous year.

WORKERS' REMITTANCES

The workers' remittance inflows decreased by 0.5 percent to NPR 875.03 Billion in the review year compared to a growth of 16.5 percent in the previous year. The net transfer receipt decreased by 1.3 percent to NPR 982.22 Billion in the review year. Such receipt had increased 15 percent in the previous year.

The number of workers going abroad for foreign employment (except renew entry) has been falling. The number of Nepalese workers seeking foreign employment further fell 20.5 percent in 2019/20 compared to a decline of 32.6 percent in the previous year.

DIRECTOR'S REPORT

Respected Shareholders,

On behalf of the Board of Directors, I would like to welcome all the shareholders for the fourteenth Annual General Meeting (AGM) of Citizens Bank International Limited. Taking this gracious opportunity, I would like to present for approval by the respected meeting; the Consolidated Statement of Financial Position of the Bank with its Subsidiaries, Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Cash Flows and other financial statements as on July 15, 2020 (Ashadh 31, 2077) of the FY 2019/20. Also, on behalf of the Board of Directors, I would like to present to the respected meeting, the major indicators of banking sectors followed by a review of the Bank's performance in the last Fiscal Year and the future programs of the Bank.

1. FINANCIAL AND BANKING SECTOR INDICATORS (FY 2018/19)

GROSS DOMESTIC PRODUCTION:

As per the initial prediction of Central Bureau of Statistics, the Gross Domestic Product (GDP) is estimated to grow at 2.28 percent in the FY 2019/20. The GDP grew at 6.99 percent in the previous year. For the period under review, agricultural sector production increased by 2.59 percent, industrial sector by 3.23 percent and service sector production increased by 1.99 percent as compared to the increment of the previous year by 5.06 percent, 7.72 percent and 7.27 percent respectively. The industrial sector production stands at 14.27 percent as compared to the previous year, where it had increased by 15.08 percent. Similarly, production under service sector increased by 15.08 percent for the period under review whereas the sector increased by 57.41 percent during the previous year.

FOREIGN TRADE:

Merchandise export increased by 0.6 percent to NPR 97.71 Billion in the financial year 2019/20, whereas it had increased by 19.4 percent in the previous year. For the period under review, the export to India decreased by 11.8 percent, export to other countries decreased by 18.2 percent and export to China decreased by 43.5 percent. Based on the type of goods, the export of goods such as palm oil, medicine (ayurvedic), herbs, plastic utensils, fruits, etc. has increased whereas the export of zinc sheet, wire, polyester yarn and threads, readymade garment, woollen carpet etc. has decreased in the review year.

Likewise, merchandise import decreased by 15.6 percent to NPR 1196.80 billion during the FY 2019/20. During the previous year, such imports had increased by 13.9 percent. The imports from India, China and other countries decreased by 19.9 percent, 11.5 percent and 5.3 percent respectively in the review year. During the review period, imports of commodities increased mainly on crude palm oil, crude soybean oil, chemical fertilizers, edible oil, computers and spare parts. Imports of goods

including billets, gold, other machinery and spare parts have declined.

In the review year 2019/20, the total trade deficit narrowed by 16.8 percent to NPR 1099.09 billion. Such trade deficit had increased by 13.5 percent in the previous year. Export-import ratio stood at 8.2 percent in the review year 2019/20. Such ratio was 6.8 percent in the corresponding period of the previous year.

STATUS OF CURRENT ACCOUNT, BALANCE OF PAYMENT AND REMITTANCE:

The current account registered decrease in deficit by 87.9 percent to NPR 32.06 billion for the FY 2019/20 compared to deficit of NPR 265.36 billion in the corresponding period of the previous year. Similarly, the overall BOP for the period under review recorded a surplus of NPR 282.41 billion, whereas a deficit of NPR 67.40 billion was recorded in the previous year. In the year under review, capital transfer was NPR 14.21 billion and foreign direct investment remained at NPR 19.48 billion whereas capital transfer was NPR 15.46 billion and foreign direct investment of NPR 13.06 billion in the corresponding period of the previous year.

Remittance inflows decreased by 0.5 percent to NPR 875.03 billion during the review period. The remittance inflow had increased by 16.5 percent in the previous year. The net transfer income decreased by 1.3 percent to NPR 982.22 billion during the review period. Such income had increased by 15 percent in the previous year. The number of Nepalese going for foreign employment on the basis of final labour approval has decreased by 20.5 percent in FY 2019/20 as compared to last year. Such number had decreased by 32.6 percent in the corresponding period of the previous year.

INTEREST RATES:

Compared to the previous fiscal year, the weighted average interest rate on 91-day treasury bills and the weighted average interest rate on interbank transactions has decreased in FY 2019/20. The weighted average interest rate on 91-day treasury bills stood at 1.27 percent in July 15, 2020 compared to 4.97 percent in July 16, 2019. Similarly, the weighted average interest rate on interbank transactions between commercial banks has fallen from 4.52 percent in July 16, 2019 to 0.35 percent in July 15, 2020.

DEPOSIT MOBILIZATION:

Deposits in banks and financial institutions increased by 18.7 percent during the review period. Such deposits had increased by 18 percent in the previous year. The share of current, savings and time deposits in the total deposits of banks and financial institutions during the review year was 10 percent, 31.9 percent and 48.6 percent respectively. Such share was 9.7 percent, 32.8 percent and 46.3 percent respectively in the corresponding period of the previous year.

CREDIT DISBURSEMENT:

Loans to the private sector from banks and financial institutions increased by 12 percent in FY 2019/20. Such loans had increased by 19.4 percent in the previous year. Amongst the disbursement of loans to private sector, credit from commercial banks increased by 16 percent, credit from finance companies increased by 8 percent and credit from development banks decreased by 16.2 percent.

In the review year 2019/20, credit to agriculture sector increased by 16.7 percent, credit to industrial manufacturing sector increased by 11.5 percent, credit to construction sector increased by 12.3 percent, credit to transport, communication and public services sector increased by 18.6 percent, credit to wholesale and retail trade sector increased by 7.7 percent and services sector increased by 22.1 percent.

In FY 2019/20, 65.7 percent of the total disbursed loans by banks and financial institutions were secured against the collateral of land and building and 13 percent against the collateral of current assets. In the corresponding period of the previous year, the ratio of such collateral was 64.4 percent and 13.5 percent respectively.

During the review year, term loans from banks increased by 27.7 per cent, overdraft loans by 7.2 per cent, trust

receipts (import loans) by 8.7 per cent, demand and working capital loans by 14 per cent, real estate loans (including personal housing loans) by 8.1 per cent, margin nature loans increased by 11 percent and hire purchase loans decreased by 3.8 percent.

REGARDING THE EFFECTS OF COVID-19

The Covid 19 pandemic has caused a humanitarian crisis as well as an economic crisis around the world. Covid 19 has affected the labour market and remittance inflows around the world. Due to the general decline in remittance inflows along with the return of workers from major foreign-employed countries, this has affected the resource mobilization of the banking sector and the external sector balance. The Covid 19 pandemic has had a major impact on the country's revenue mobilization and capital expenditure, as well as in credit disbursement of banking sector.

To manage the impact of Covid 19 on the economy, monetary policy has been issued to emphasize economic recovery, maintain price and external sector stability and facilitate credit management and access to the most affected areas from Covid 19 to mobilize economic activities and create financial resources for entrepreneurship growth and employment.

2. SYNOPSIS OF FINANCIAL PERFORMANCE OF THE BANK

The financial statements for the Fiscal Year 2019/20 have been prepared as per Nepal Financial Reporting Standard on the basis of the principle of generally accepted accounting policies. As per the review period and financial statements of the previous Fiscal Year 2018/19, the comparative financial position of this Bank is as under:

NPR IN THOUSAND

RATIOS	FY2019/20	FY2018/19	INCREASE OR (DECREASE)
Capital Adequacy Ratio	15.14%	14.37%	0.77%
STATEMENT OF FINANCIAL POSITION	FY 2019/20	FY 2018/19	INCREASE OR (DECREASE)
Total Assets	110,550,682	90,121,364	22.67%
Deposits	92,185,132	74,135,747	24.35%
Loans & Advances	81,283,394	65,072,422	24.91%
Investment	12,104,974	11,070,828	9.34%
General Reserves	4,323,779	4,076,746	6.06%
STATEMENT OF PROFIT OR LOSS	FY 2019/20	FY 2018/19	INCREASE OR (DECREASE)
Net Interest Income	2,884,754	2,688,462	7.30%
Non- Operating Interest Income	1,133,368	954,147	18.78%
Operating Expenses	1,709,251	1,602,713	6.64%
Operating Profit	1,499,024	2,100,403	-28.63%
Net Profit	1,198,505	1,463,219	-18.09%

CAPITAL STRUCTURE:

At the end of FY 2018/19, the paid up capital of the bank was NPR. 8,371,064,773. During the FY 2019/20, the Bank has acquired Sahayogi Vikash Bank Ltd., a Class B Financial Institution with a share swap ratio of 1:0.9175 by issuing share capital of NPR 467,620,574 and issued the bonus share amount NPR 251,131,943 after which the capital of the Bank stood at NPR 9,898,17 at the end of FY 2019/20.

CAPITAL ADEQUACY:

The capital adequacy ratio stood at 14.37 percent at the end of FY 2019/20 in comparison to 15.14 percent at the

end of FY 2018/19.

TOTAL ASSETS:

At the end of the Fiscal Year 2019/20, the total assets stood at NPR 110,550,682,722 which is an increment of 22.67 percent, in comparison to NPR 90,121,363,553 at the end of FY 2018/19.

DEPOSIT COLLECTION:

The total deposit collection of the Bank for the FY 2019/20 stood at NPR 92.18 billion which has increased by 24.35 percent, in comparison to the previous year, where the total deposit collection was NPR 74,135,747,119.

Out of the total deposits, deposits from the customers have reached NPR 88,496,228,464 while the deposits from banks and financial institutions stood at NPR 3,688,903,954. The Bank's deposits have increased by NPR 7.51 billion after the acquisition of Janakpur-based "B" class Sahayogi Vikash Bank Limited on July 04, 2020. The Bank's total deposits accounted for 4.94 per cent of current deposits, 25.62 per cent of savings deposits, 59.61 per cent of term deposits, 9.30 per cent of call deposits and remaining as other deposits.

LOANS AND ADVANCES:

In the FY 2018/19, the Bank has disbursed NPR 65,072,421,802 which increased by 24.91 percent to NPR 81,283,394,263 in FY 2019/20 out of which NPR 79,733,794,720 has been disbursed to customers while NPR 1,549,599,543 has been disbursed to banks and financial institutions. Loans and advances of the Bank has increased by NPR 4.03 billion after the acquisition of Jankpur based "B" class Sahayogi Vikash Bank Limited during the FY 2019/20. Out of the total loan disbursement in FY 2019/20, 6.40 percent was in real estate sector, 7.32 percent in housing sector, 3.74 percent in margin lending, 17.11 percent in overdraft loan and 65.44 percent in other loans. Out of the total credit investment made in the FY 2019/20, the Bank has invested 35.74 percent in the priority sector, of which 10.30 percent has been invested in the agriculture sector. By mid-July of FY 2019/20, the Bank has approved a total limit of NPR 12.37 billion from which it has contributed to the development of hydropower sector by disbursing NPR 5.56 billion. The Bank has invested in various hydropower projects with a capacity of about 385.02 MW. Similarly, the Bank has disbursed a total of 2,438 numbers of small and medium enterprises loans in FY 2019/20 totalling of NPR 8.51 billion while the total loan disbursed under the agro based fast track loans was 4368 totalling of NPR 2.50 billion.

In addition, the Bank has adopted the policy of One Zone One Product with the objective of further contributing to the agri business. As per the policy, the Bank has invested a total of NPR 5.37 billion in 123 projects of agricultural sector. Similarly, in FY 2019/20, a total of NPR 1.10 billion loan has been disbursed to 411 customers from different sectors under the Procedure of "Interest Subsidy for Concessional Loans, 2010" issued by Nepal Rastra Bank.

TOTAL INVESTMENT:

By mid-July of FY 2019/20, the Bank has invested total of NPR 12,105,112,285 in various sectors. Out of the total investment, NPR 11,321,053,597 which amounts to 93.52 percent of the total investment, has been invested in treasury bill and development bond issued by Nepal government while NPR 597,765,633 which is 4.94 percent of the total investment has been invested in equity shares of various organized institution. Similarly, NPR 167,204,200 million and NPR 18,951,500 has been invested in subsidiary and associates companies respectively.

NET INTEREST INCOME:

In FY 2018/19, the net interest income of the Bank was

NPR. 2.69 billion whereas in FY 2019/20, it increased by 7.30 percent to NPR. 2,884,753,617.

NON- INTEREST INCOME:

In FY 2018/19, the non-interest income of the Bank was NPR 954,147,411 whereas, it increased by 18.78 percent to NPR 1,133,367,961.

OPERATING EXPENSES:

In FY 2018/19, the total operating expenses of the Bank was NPR 1,602,792,986 which in FY 2019/20 increased by 6.64 percent to NPR 1,709,251,124 due to expenses related to branch network growth such as house rent, security expenses, connectivity expenses, among others.

OPERATING PROFIT:

In FY 2018/19, the operating profit of the Bank was NPR 2,100,403,106 which in FY 2019/20 decreased by 28.63 percent to NPR 1,499,023,715.

NET PROFIT:

In FY 2018/19, the net profit of the Bank was increased by 18.57 percent to NPR. 1,463,218,780. Whereas, in FY 2019/20, the net profit of the Bank decreased by 18.09 percent to NPR. 1,198,504,659 in comparison to previous year. The adverse effects on the world and the country's economy due to COVID-19 and the challenges brought in the operation of the Bank and the impact of the nationwide lock down has affected the net profit of the Bank. Similarly, the Bank has provided rebate of 10% on interest due as of Mid-April 2020 and rebate of 2% on interest rate prevailing as of Mid-April 2020 as a relief to various sectors so as to minimize the adverse economic impact of COVID-19 which was directed by the circular issued by the Nepal Rastra Bank. Also the increment of non-performing loans as compared to last fiscal year has led to decrease in net profit of the Bank during the year.

3. SYNOPSIS OF FINANCIAL PERFORMANCE OF SUBSIDIARY COMPANY: CBIL CAPITAL LIMITED

The Bank has invested 58.60% in the subsidiary company CBIL Capital Limited i.e. a total NPR. 117,204,200 out of total capital of NPR 200 million. The main objectives of the company is to provide merchant banking services, portfolio management services, services relating to management of mutual funds, share registration services, etc. In FY 2019/20, CBIL Capital Limited's net profit stood at NPR. 22,087,425.

Similarly, the Bank has invested NPR 300 million (NPR 150 million each) in Citizens Mutual Fund 1 and Citizens Mutual Fund 2 managed by CBIL Capital Limited and promoted by Citizens Bank International Limited. In FY 2019/20, Citizens Mutual Fund 1 operated under Citizens Mutual Fund has distributed 15 percent cash dividend to unit holders while Citizens Mutual Fund 2 has distributed 10 percent cash dividend to unit holders.

4. SYNOPSIS OF FINANCIAL PERFORMANCE OF SUBSIDIARY COMPANY: CBIL SECURITIES LIMITED

The Bank has invested NPR 50 million in the 100 percent subsidiary company CBIL Securities Limited. The main objective of the company is to provide services for

buying and selling securities, and services to depository members, etc. CBIL Securities Limited is currently in the process of seeking approval from the Nepal Stock Exchange Limited to start operations. In FY 2019/20, the net profit of CBIL Securities Limited was NPR. 3,670,465.

5. BRANCH NETWORK EXPANSION

With an enigma of complying to the Unified Directives issued by Nepal Rastra Bank and with a policy of expanding the business of the Bank; the Bank has opened 14 branches during the FY 2019/20. The Bank has established Kanchanbari branch in Biratnagar Metropolitan city and Salakpur branch in Sundar Haraincha Municipality of Morang District in Province 1; Lambagar branch in Tarkeswor Municipality and Sinamangal and Kamaladi branch in Kathmandu Metropolitan city of Kathmandu District; Devighat Branch in Bidur Municipality of Nuwakot district; Tandi Branch in Ratnanagar Municipality of Chitwan District in Bagmati Province; Bhotwodar Branch in Sundarbajar Municipality of Lanjung District and Hospital Chowk Branch in Pokhara Metropolitan City of Kaski District in Gandaki Province; Kohalpur Branch in Kohalpur Municipality of Banke District and Jitpur Branch in Banganga Municipality of Kapilvastu district in Lumbini Province; Juphal Branch in Thuli Bheri Municipality of Dolpa District, Sukkhad Branch in Ghodaghodi Municipality and Attariya Branch in Godawari Municipality of Kailali District in Sudurpaschim Province. With the acquisition of Sahayogi Vikas Bank Limited, additional 14 branches has been added in the network of the Bank in Mahottari District, Bardibas Municipality, Gaushala Municipality, Jaleswor Municipality, Loharpatti Municipality, Ramgopalpur Municipality, Pipra Municipality, Samsi Rural Municipality, Dhanushadham Municipality of Dhanusha District, Mahendranagar of Kshireswarnath Municipality, Sabaila Municipality, Yadukuha of Shahid Nagar Municipality, Vidyapati Chowk and Ramanand Chowk of Janakpurdham Sub-Metropolitan Municipality and Sindhuli of Kamalamai Municipality in Sindhuli District of Bagmati Province. The total number of branches has reached 109 with the addition of these 14 branches from Sahayogi Vikash Bank Limited along with the existing branches of the Bank.

6. INFORMATION TECHNOLOGY

The Bank has been providing mobile banking services, internet banking/ABBS etc based on information technology as per the desire of the customers. The Bank has been providing services to the customers from the viewpoint of timely improvement and development in information technology with FINACLE Core Banking Software. The Bank has ensured the continuity of the business by further strengthening and consolidating the existing Disaster Recovery Site. In addition, customers have been provided the facility to open an account through the Bank's website through online technology. In the coming days, the Bank has taken the policy of implementing the latest developments in the field of information technology as per the need of the customers.

7. CARD BUSINESS

The Bank has been providing ATM and POS services keeping in view of convenience of the customers. In this

regard, the Bank has connected 17 more ATMs and 284 new units of POS during the FY 2019/20. Additional 4 ATMs has been added after the acquisition of Sahayogi Vikash Bank Limited. With this, the total number of ATM has reached 99 and the total number of POS has reached 465.

This year, the Bank has replaced the Paper Based Pin with the launch of Green Pin through mobile OTP service to its customers. The Bank is confident that it will be able to provide services to the customers easily and efficiently.

8. REMITTANCE TRANSACTION

During the FY 2019/20, the Bank has catered to total inward remittance of USD 17,875,700, earning an income of NPR 22,044,000. In the process of making remittance transactions more effective, the Bank has been expanding remittance transactions by entering into agreements with various remittance companies both inside and outside of the country. In this process, the Bank has entered into additional remittance agreements with E-Pay Global Ltd. - Hong Kong, ATL Money Transfer - UK, Lumbini Group - Australia, Nepal Money Express - Australia, Suvidha UK Ltd. - London, Millennials Private Limited- Singapore and Lalit Money Transfer - Nepal. The agreement made with these agents has helped the customers of the Bank to collect funds sent from different countries of the world; through a widespread network of all the branches of the Bank and through more than ten thousand subsidiary representatives located all across the country. Hence, in the coming days, along with making the remittance business highly profitable, the Bank has aimed to expand and grow the remittance business by entering into agreement with more number of potential exchange companies located at different countries of the world.

9. EXPANSION OF OTHER BANKING FACILITY

During the FY 2019/20, the Bank has expanded its branchless banking services in Khalte of Sunkoshi Municipality of Sindhuli district, Helauncha of Bhojpur Municipality of Bhojpur district, Santapur Dostiya of Fatuwa Bijaynagar Municipality of Rautahat district and Maga Deurali (Baghkhori) of Sailung Rural Municipality of Dolkha district after getting the approval from Nepal Rastra Bank. So far, the Bank has been providing branchless banking services from 104 branchless banking units.

The Bank has been providing useful services such as deposit collection, payment, fund transfer, payment of mobile phones bills and other services through its BLB networks.

Similarly, as per the agreement between the Bank and the National Reconstruction Authority relating to the distribution of subsidy for reconstruction of personal homes destroyed by the powerful earthquake of 2015, the Bank has been distributing the subsidy amount through its 9 branches (Manahari, Charikot, Beni, Hetauda, Bhojpur, Hariharpurgadhi, Kirtipur, Thapathali and Banepa) located in earthquake affected areas in 7 districts i.e. Dolakha, Kavre, Makwanpur, Bhojpur, Myagdi, Kathmandu and Sindhuli. Hence, with an aim to

assist Nepal Government for the distribution of subsidy for earthquake victims, the Bank has provided subsidy amount to 11,113 beneficiaries in several instalments.

10. CORPORATE GOVERNANCE AND COMPLIANCE

Complying with the Unified Directive issued by Nepal Rastra Bank and assimilating with aim of sustainable development goals of Nepal, the Bank has been conducting various programs under its Corporate Social Responsibility Program since its inception to bring positive changes in the social, economic, cultural, educational field and amongst others. Continuing with the same zeal, during the FY 2019/20, the Bank has provided NPR 3.89 million for education, NPR 10.84 million for health, NPR 1.95 million for culture preservation, NPR 1.51 million for social development and NPR 0.63 million for financial awareness totalling of NPR 18.8 million to various organizations.

The Bank has provided financial assistance to the “Corona Infection Prevention, Control and Treatment Fund” set up by the Government of Nepal for the prevention of Corona virus under the Corporate Social Responsibility Program. The Bank has allocated NPR 4.9 million; NPR 0.7 million each to Provincial Government Fund and NPR 0.6 million to the fund set up in various local bodies, NPR 0.6 million to various organizations and the remaining amount of Corporate Social Responsibility Fund till mid-July 2020 of NPR 2,015,204 to Corona Infection Prevention, Control and Treatment Fund. The Bank has provided a total of NPR 8.1 million for the control of wide spread of Covid 19. Similarly, the Bank has spent about NPR 3.5 million to protect the employees from pandemic of Covid 19.

11. HUMAN RESOURCE

The Bank has formed a Recruitment Committee under the lead of Deputy Chief Executive Officer, with Chief Credit Officer, Chief Operating Officer as members and Head Human Resource Department as member secretary.

By the end of FY 2019/20, the Bank has a total workforce of 1137. A total of 323 new staffs were hired/appointed, whereas a total of 158 employees resigned from the Bank's service during the review period. Out of the total staffs, 507 are female i.e. 44.60 percent of the total workforce. With the aim of achieving the business goals by providing excellent and speedy banking services to the customers, the Bank has strived to increase the efficiency of its manpower, by providing training programs to almost all of its staffs, in the topics related to Basic & Advance Credit Course, Negotiable Instruments, Operation Risk Management, Integrated Risk Management, AML/CFT, Sales Strategies, Digital Marketing in Banking & Financial Services, Compliance Function in Banks both inside and outside of the country. Also, 7 staffs have been enrolled under the Omega Certification Course. The Bank has spent a total of NPR 11,033,000 for enhancing the efficiency of human resource. In addition, the Bank has taken the policy of providing necessary trainings in the coming year as well and providing maximum trainings

through online in the current scenario of Covid-19.

12. CONTRIBUTION TO THE GOVERNMENT EXCHEQUER

During the FY 2019/20, the Bank has deposited NPR 1,295,863,000 with Inland Revenue Office, that comprises of NPR 725,163,000 as Tax Deducted at Source against various payments made by the Bank and NPR 570,699,000 as Advance Income Tax.

13. INTERNAL CONTROL SYSTEM

The Bank has adopted the policy of implementing a strong internal control system in order to cater to the credit risks, market risks, operational risks and other risks inherent in the banking business. In relation to this, the Bank has formulated and implemented necessary rules, regulations and policies in every area of banking transactions. The Bank has also constituted an independent Internal Audit Department governed by the BOD's Audit Committee, which is involved in reviewing whether the banking operational works and procedures have been conducted complying to existing laws. Similarly, the Bank has formulated Risk Management Committee that is accountable to the Board of Directors, the members of whom are involved in the regular supervision of risks relating to banking transaction and providing appropriate suggestions to the Board of Directors. The Committee has been effectively working on the same. Likewise, separate Credit Risk Department has also been constituted for minimizing credit risks. Similarly, for analysis of compliance of the Bank as a whole, determining the level of risk of all the customers of the Bank and for monitoring and resolving any weakness observed while complying to given standards, Anti-Money Laundering Committee has been formed in the Bank.

In addition, internal policies, rules and guidelines have been issued and implemented to manage the operations related to various departments. Different committees of the Bank are operational, including Executive Committee comprising executive team who are involved in effective and timely decision making process at management levels; Asset Liability Management Committee (ALCO) comprising managerial level members who are involved in managing balance sheet based on risk and return analysis and managing the interest risk and liquidity risk of the Bank strategically; IT Steering Committee comprising members who are involved in the development and timely up-gradation of information and technology systems required for daily works, investments, operations and strategic planning; Operational Risk Management Committee comprising of members under Chief Risk Officer, who are involved in establishing inter-departmental coordination and conducting timely investigation of the day-to-day operations of the Bank for minimizing the operational risk and Purchase Committee comprising of members who are involved in calling bidders for arrangement of logistics required for daily operations of Bank and making recommendations to the Chief Executive Officer for the purchase of logistics and others.

14. CORPORATE GOVERNANCE AND COMPLIANCE

Maintaining a higher level of Corporate Governance has always been of great importance for the Bank. The Bank has its own objectives, policies, internal control system, and code of conduct of employees placed for an effective implementation of the Corporate Governance. Codes of conduct of directors and employees have been planned and implemented by the Bank. The Bank has always remained active in strengthening the Corporate Governance by maintaining transparency in the functions of BOD and other members. Furthermore, the Bank has been complying with all the policies and directives issued by NRB and other related authorities issued on regular basis and shall strive to comply in the coming days as well.

15. CHANGES IN BOARD OF DIRECTORS AND ITS REASONS

During the review year, tenure of the Chairman and members of the Board of Directors, Mr. Shankar Prasad Sharma, Mr. Bal Krishna Prasai, Mr. Pavitra Kumar Karki and Dr. Chanda Karki has come to an end and Mr. Rajan Singh Bhandari, Mr. Prabal Jung Pandey and Mr. Sajjan Sharma have been elected to the Board of Directors representing the shareholders of the promoter group and Mrs. Sita Karki (K.C.) has been elected representing the shareholders of the public group from the 13th Annual General Meeting for a term of 4 years. Mr. Rajan Singh Bhandari has been unanimously elected as the Chairman from the 314th meeting of the Board of Directors. In addition, Mr. Sudesh Khaling Rai has been appointed as the Independent Director of the Bank from the 320th meeting of the Board of Directors held on November 22, 2019 after completion of tenure of Mr. Avanindra Kumar Shrestha.

16. CHANGES IN MANAGEMENT AND ITS REASONS

Mr. Sumit Babu Khatri, Mr. Paras Kumar Kafle, Mr. Rajendra Lal Shrestha and Mrs. Umang Sharma have been promoted to the post of Acting Assistant General Manager and have been given the responsibility of Assistant Chief Executive Officer from October 18, 2019. Along with the promotion, Assistant Chief Executive Officer, Mr. Rajendra Lal Shrestha has been appointed as the Company Secretary from October 18, 2019. Mr. Samir Prasad Dahal, Assistant Chief Executive Officer of the Bank has voluntarily resigned from the services of the Bank on November 11, 2019.

17. OTHER COMMITTEES

As per the provision of Unified Directives and Section 26 and Section 27 of the Bank and Financial Institutions Act, 2017; the Board of Directors on its accountability has formed Audit Committee, Risk Management Committee, Human Resource Compensation Committee and Anti-Money Laundering Committee.

Likewise, the Bank has formed Merger and Acquisition committee and Digital transformation committee as per Section 26 of Bank and Financial Institutions Act, 2017 and Unified Directive No 06/075(7)(1)(b) issued by Nepal Rastra Bank.

AUDIT COMMITTEE:

The committee comprised of Mr. Avanindra Kumar Shrestha- Director as coordinator and Dr. Chanda Karki- Director as member and Head of Internal Audit Department as Member Secretary till September 27, 2019 and after that it comprises Mrs. Sita Karki- Director as coordinator, Mr. Sajjan Sharma - Director as member and Head of Internal Audit Department as Member. The committee gives necessary directions to the management after having thorough discussions on the assessment of the Bank's financial status, internal control system, audit program and findings.

During the FY 2019/20, meeting of the Audit Committee was held 14 times and total meeting allowance of NPR 308,000 has been paid. In the meeting, the Committee reviewed the Bank's entire financial condition, internal controls, audit plan and observations and comments pointed out in the audit report presented by both the internal and external auditor, and directed the management to take the corrective actions. Similarly, the Committee reviewed the implementation of the comments mentioned in the audit report of NRB, whereby the issues were also recorded and informed to the Board of Directors. The Committee has also supported the management for the preparation of a true and fair Annual Financial Statement of the Bank, reviewed adherence to the regularity, economy, relevance, effectiveness in the Bank's operations and provided necessary suggestions to the Board of Directors. The committee also reviewed the Quarterly Financial Statements of the Bank and reported it to the Board of Directors.

RISK MANAGEMENT COMMITTEE:

The committee comprised of Mr. Prakash Chandra Mainali - Director as coordinator, Mr. Avanindra Kumar Shrestha - Director as member, Chief Operating Officer as members and Chief of Risk Officer as Member Secretary till September 27, 2019 and after that it comprises Mr. Prakash Chandra Mainali - Director as coordinator, Mr. Prabal Jung Pandey- Director, Chief Operating Officer as members and Chief of Risk Officer as Member Secretary.

The coordinator of Audit Committee acts as invitee member of Risk Management Committee and a meeting of the Committee is held at least once in three months. The functions, duties and powers of the Committee have been defined as per the directives of NRB.

During the FY 2019/20, the meeting of the Risk Management Committee was held for 7 times and total meeting allowance of NPR 220,000 has been paid. The Committee has been involved in tracing all forms of risks that might affect the performance of the Bank and is also involved in the adequate management of such risk portfolios. In relation to risk management, the Committee has been providing special attention in minimizing risk relating to credit risks, market risks, operational risks, liquidity risks, compliance risks, IT risks and other risks. The Bank has a separate credit risk unit for credit risk management which falls under Risk Management Committee of the Bank.

Various reports are discussed in the Risk Management Committee, including various quarterly reports, such as quarterly ICAAP report and extensive analysis and discussion on ALCO Minutes. Detailed discussions on the risk-taking capacity of the bank, analysis of existing conditions of compliance and periodic revision and alterations in various policies and procedures are held under the Committee. Detailed analysis and discussions were held in the Committee with the reports submitted to the Committee relating to the Value at Risk (VAR) for Foreign Exchange/Equity Risk, Level of Operation In charge, Monetary Policy, Deposit Forecasting and HHI Model, AML/CFT, Guidelines on KRI/KPI/KCEI, New Product Development Process-Risk Assessment Guideline. Lastly, detailed analysis and discussions were held relating to IS Audit Report 2019 and Website Scan Report.

HUMAN RESOURCE COMPENSATION COMMITTEE:

The Human Resource Compensation Committee has been formed comprising of Mr Bijay Dhoj Karki - Director as coordinator, Mr. Sudesh Khaling Rai - Director as member, Chief Executive Officer and Chief Finance Officer as members and the Head of Human Resource Department as Member Secretary. The function duties and power of the Committee have been defined as per NRB Director.

During the FY 2019/20, the meeting of the Committee was held for 12 times and total meeting allowance of NPR 154,000 has been paid. The Committee has reviewed the employee service facilities and implemented the revised Human Resource Management Policy. The Committee has also recommended for revising the organizational structure and the staff requirements for FY 2019/20 and has also reviewed other policies of the Bank. Similarly, the committee has reviewed and amended various facilities of the employees. Similarly, the committee has proposed a new organizational structure to be effective from July 16, 2020. It has also completed the work of recommending the posts of the employees required for FY 2020/21 and reviewing the other policies of the bank.

ANTI MONEY LAUNDERING COMMITTEE

The Anti Money laundering Committee has been formed comprising of Mr Sajan Sharma - Director as coordinator, Mrs. Sita Karki (K.C) - Director as member, Chief Risk Officer- as member and Head of Anti Money Laundering Department as member secretary. Earlier it comprised of Mr. Pabitra Kumar Karki -Director as coordinator, Mr Bijay Dhoj Karki -Director as member and Head of Anti Money Laundering Department till September 27, 2019. A total of 5 meetings were held of the Anti Money Laundering Committee during the FY 2019/20 and total meeting allowance of NPR 88,000 has been paid.

The Committee analysed the overall status of compliance of the Bank, assessed the risk level of all its customers, assisted management in proper monitoring and resolving weaknesses observed relating to other compliance issues and held regular discussions relating to the quarterly AML / CFT compliance report.

MERGER AND ACQUISITION SUB COMMITTEE

Abiding with the rules and regulations of Merger and Acquisition Bylaws 2073 issued by Nepal Rastra Bank, the Bank has formed Merger and Acquisition Committee in coordination with Non-Executive Director. The committee now comprises of Mr. Prabal Jung Pandey as coordinator, along with Directors Mr. Bija Dhoj Karki and Mr. Prakash Chandra Mainali as members and Chief Executive Officer - Mr. Ganesh Raj Pokharel as a member secretary of the Committee. Earlier it comprised of Mr. Pabitra Kumar Karki -Director as coordinator, Mr Bal Krishna Prasai and Mr Prakash Chandra Mainai - Directors as member and Chief Executive Officer- Mr Ganesh Raj Pokharel as a member secretary till September 27, 2019.

The meeting of the Merger and Acquisition Committee was held for 22 times during the FY 2019/20 and total meeting allowance of NPR 715,000 has been paid. The committee had completed the task relating to identification of suitable banks and financial institutions for mergers and acquisitions, and implementation of Terms of Reference after the preparation of strategic plan of mergers and acquisitions of the bank.

Taking the merger and acquisition as a strategic plan to increase the branch network, personal deposits and overall business growth policy the bank has started joint operations with Sahayogi Vikash Bank Limited from July 04, 2020 after acquisition of the same as per the NRB letter dated June 24, 2020 and letter of company registrar's office dated June 28, 2020.

DIGITAL TRANSFORMATION SUB COMMITTEE

Abiding with the instructions on good governance as per direction issued by the Nepal Rasta Bank the Bank has formed Digital Transformation Committee in coordination with Director Mr Sajan Sharma along with Director Mr Sudesh Khaling Rai as member and Chief Information Technology Officer - Mr Sanjeeb Kumar Shrestha as member secretary.

The meeting of the Digital Transformation Committee was held for 4 times during the FY 2019/20 and total meeting allowance of NPR 66,000 has been paid. The committee had completed the task of identifying short-term and long-term goals of the Bank for the purpose of digital conversion and is on process of implementing the Terms of Reference in the near future after identifying the strategic plan. In order to make digital transactions more effective and increase access to more and more customers, online transactions such as term account renewal, credit account details, green pin, chat bot, fast track account etc. obtained through customer's mobile, telephone and mail will be addressed upon receipt of request.

18. MAJOR FACTORS AFFECTING BANKING TRANSACTION

The major risks that might affect the business of the Bank are listed below:

- a. Risks of regular operation of Bank and security and well-being of employees due to prevailing pandemic COVID-19.
- b. Risks due to change in economic conditions of the country.
- c. Potential risks arising due to change in Economic, Monetary and Financial policy of the country.
- d. Potential risks arising due to change in policies by Nepal Government and NRB, relating to commercial banks.
- e. Risks due to change in exchange rate during foreign exchange transactions.
- f. Risks due to change in interest rate on deposit and credit caused due to fluctuations in liquidity and risks arising on business expansions due to shortage of investable funds.
- g. Risks caused due to the shrink in the scope of deposit collection, investment and loans and advances of the Bank.
- h. Risks due to untimely recovery of loans.
- i. Potential risks arising in providing non-funded services such as letter of credit and bank guarantee.
- j. Economical risks arising due to potential impacts in the Nepalese market caused due to recession in foreign market.
- k. Risks due to fluctuations in capital markets.
- l. Lack of alternative investment sector.
- m. Risks arising out of negative impacts created in our economic system caused due to fluctuations in remittance income.
- n. Effects due to political instability in the country.
- o. Effects due to vigorous competition in the banking industry.
- p. Risk due to unavailability of centralized data and sufficient technology in order to stop Money Laundering.
- q. The challenge of consistently providing high return on investment when the source of income has narrowed down maintaining capital related requirements.
- r. Information technology development and its operational risk and challenges.

19. REGARDING THE EFFECTS OF COVID-19

The global outbreak of the Covid 19 pandemic has led to a decline in banking business, non-payment of loans and interest on time, and a decline in the country's economic activity, which is expected to have a further impact in the days to come. In such a scenario, it is challenging to manage the risks of impact on the bank's total income, increase in non-performing loans and keeping the interest spread rate intact, as well as the risk of adverse impact on the country's economy due to the Covid 19 pandemic.

Lack of investor morale, low government development expenditure, etc. are the major external problems due to Covid 19 disease. In the wake of such problems, the task of sustainably expanding the Bank's business while

maintaining the quality of assets and giving a maximum return to investors has been challenging.

The Bank has provided rebate of 10% on interest due as of Mid-April 2020 and interest rebate of 2% on interest rate prevailing as of Mid-April 2020 as a relief to various sectors so as to minimize the adverse economic impact of COVID-19 which was directed by the circular issued by the Nepal Rastra Bank. Such relief amounts were NPR 9.5 million to 2,069 customers and NPR 310 million to 22,472 customers as 10% rebate on interest due and 2% rebate on overall interest rate respectively.

20. APPOINTMENT OF AUDITOR

The 13th Annual General Meeting of the Bank had appointed M/S K.K. Budhathoki & Associates, Chartered Accountants, for auditing books of account for FY 2019/20 and the audit has been completed by the firm. The appointment of auditor for the FY 2020/21, shall be done as per recommendation of Audit Committee.

21. FUTURE PLANS AND PROGRAMS

The future plans and programs of the Bank shall be as under:

- In order to reduce the average interest rate on deposits, the Bank plans to introduce and mobilize new deposit schemes and increase individual deposit base subsequently decreasing the dependency on institutional deposits.
- Taking merger and acquisition as a strategic plan to increase branch network, increase individual deposits and increase the overall business of the Bank.
- Increase Non-Fund Based Transactions to increase Non-Fund Based Incomes.
- Improve the quality of the loans & advances and increase the investment in Agriculture, Energy, Tourism and Cottage and Small Scale Industries, while expanding loan portfolios.
- Further strengthening the Internal Control System and compliance of the Bank.
- Enhancement of branding and increment of business of the Bank through advertisements and business promotion programs.
- Organize more programs under Corporate Social Responsibility to show the Bank as a responsible institution towards society and hence, enhance the brand of the Bank.
- Conduct Research and Analysis to identify new areas for expansion of the business of the Bank and manage foreign exchange market and fluctuation in interest rate in a more effective way, to have a positive impact on profit of the Bank.
- Provide regular training for employees to improve their skills and attain overall development of human resources.
- Further strengthen the Corporate Governance of the Bank.
- Further enhance the risk management system of the Bank.
- Special attention in increasing the size of transaction of Subsidiary companies of the Bank.
- Special attention in increasing loans and advances

in productive sector. For this, areas having business prospects shall be prioritized for expansion of branch networks of the Bank.

- Implementation of latest technologies in digital banking platform as deemed appropriate, keeping in mind the increased risk exhibited by such platforms.
- Implementation of latest technologies developed in the field of digital banking as per the need considering the increasing risk aspect in this sector.

22. AUDIT, STATEMENT OF FINANCIAL POSITION AND OTHER STATEMENT

The Consolidated Statement of Financial Position as on July 15, 2020, Consolidated Statement of Profit or Loss for FY 2019/20, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Cash Flows, related Schedules and Auditor's Report of the Bank and its subsidiaries have been included as part of this annual report.

DISTRIBUTABLE PROFIT

In the Fiscal Year 2019/20, the Bank has earned Net profit of NPR 1,198,504,659 out of which, 20 percent of the Net Profit i.e. 20 percent of NPR 1,198.50 Million, amounting to NPR 239.70 Million has been transferred to General Reserve Fund, in line with Section 44 of the Bank and Financial Institutions Act (BAFIA), 2017. Similarly, in line with the Section 45 of BAFIA, 2017; the Bank has transferred NPR 17.90 Million to Exchange Fluctuation Fund. As per the Unified Directives of NRB, the Bank has separated 1 percent of total Net profit i.e. NPR 11.98 Million in the Corporate Social Responsibility Fund and the amount spent under corporate social responsibility amounting NPR 18.85 Million during the given year has been returned to distributable profit from the same reserve. Also, the Bank has separated NPR 107.14 Million in Debenture Redemption Reserve for payment of bonds issued by the Bank.

In addition, as per the Unified Directive of Nepal Rastra Bank, the amount of NPR 82.62 million has been transferred from Regulatory Reserve to Retained Earnings for the regulatory reserve created on the amount of interest accrued but not realised up to previous year after deducting the amount of staff bonus and income tax on such amount. Similarly, regulatory reserve has been reversed by the amount of NPR 99.36 million for the sale of Non-Banking Assets and regulatory reserve created for Non-Banking Assets up to previous year after deducting amount of staff bonus and income tax on such amount and amount of NPR 21.88 million on the reversal of deferred tax asset. Regulatory Reserve has been created for the Actuary loss amounting NPR 17.35 million, Bargain Purchase Gain of NPR 90.88 million from the acquisition of Sahayogi Vikas Bank limited and unrealised gain on the financial assets measured through Profit or loss amounting of NPR 4.11 million. Asset revaluation reserve of NPR 43.91 million has been created on the revaluation of land acquired from acquisition of Sahayogi Vikas Bank Limited after deducting the applicable income tax.

The Bank has proposed to distribute cash and bonus dividend for the FY 2019/20 from the total distributable

amount of NPR 1.02 billion. Such total distributable amount of NPR 1.02 billion comprises remaining retained earnings of NPR 42.9 million of previous years, share premium of NPR 4.1 million, Bargain Purchase Gain of NPR 90.8 million from the acquisition of Sahayogi Vikas Bank and current fiscal year distributable profits of NPR 931.15 million.

23. OTHER DETAILS REQUIRED BY SEC 109(4) OF THE COMPANIES ACT, 2006 HAVE BEEN INCLUDED IN SCHEDULE "A" OF THIS ANNUAL REPORT

24. THE DETAILS REQUIRED BY RULES 26(2) OF SECURITIES REGISTRATION AND ISSUE REGULATIONS, 2017 HAS BEEN INCLUDED IN SCHEDULE "B" OF THIS ANNUAL REPORT

Note of Thanks

On behalf of the Board of Directors of the Bank, I would like to express my gratitude to all the shareholders, customers, institutions related with Nepal Government and Nepal Rastra Bank for their valuable assistance in meeting the objectives of the Bank. I would also like to thank the Chief Executive Officer, all the officers and employees of the Bank and stakeholders for their valuable contribution towards the progressive development and upliftment of the Bank. Also, I am deeply grateful to the media who have been relaying all the activities of the Bank to the public in a positive way. Finally, I would like to thank all of our well-wishers who have supported the Bank directly and indirectly.

On behalf of the Board of Directors

Mr. Rajan Singh Bhandari
Chairman

COMPLIANCE STATEMENT OF APPLICABLE REPORTING AND DIRECTOR'S RESPONSIBILITY FOR ANNUAL REPORTS

COMPLIANCE STATEMENT

The Board and all other staffs of the Bank including its branches endeavor to ensure objectivity and transparency to maintain the Bank's culture and business strategy. The accepted principles of ethical and professional conduct are duly maintained at all levels and within all the activities of the Bank.

Along with customers' satisfaction as our core concern, the Bank is committed to meet statutory and regulatory obligations. The Bank complies with Generally Accepted Accounting Principles, Nepal Financial Reporting Standards, Directives issued by Nepal Rastra Bank, Companies Act, National Legislation, Regulations issued by local authorities, guidelines issued and other prevalent laws and regulations. The Bank has depicted compliance with the same through core values and standards, high standards of integrity, governance and risks management frameworks and control works.

DIRECTOR'S RESPONSIBILITY IN RESPECT OF ANNUAL REPORT AND FINANCIAL STATEMENTS

The statement of director's responsibility should be read simultaneously with the auditor's statement of their responsibilities set out in Auditor's Report to shareholders, which provides the shareholders a precise view to distinguish the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are primarily responsible for the preparation of the Annual Report comprising the financial statements of the Bank, in accordance with applicable laws and regulations. Section 108 along with Section 109 of the Companies Act, 2006 explains the responsibility of Board of Directors for the preparation of Annual Reports.

In the preparation of the financial statements, the directors undertake the responsibility of following arrangements:

- Select suitable accounting policies and then apply them consistently,
- Make reasonable judgements and estimates where necessary,
- State that financial statements comply with the Nepal Financial Reporting Standards, Directives and circulars issued by Nepal Rastra Bank, the Companies Act, other National Legislation, regulation issued by local authorities, guidelines issued and other prevalent laws and regulations, and
- Prepare the financial statements on the going concern basis with the satisfaction that the Bank has the resources to continue the business for the foreseeable future; unless it is not appropriate.

The directors are responsible for keeping proper books of account, which discloses the financial position of the Bank with reasonable accuracy at any time. Also, the directors ensure that financial statements comply with the Companies Act, 2006. Reasonable steps are taken for the prevention and detection of the fraud and other irregularities in safeguarding the assets. The responsibility for the maintenance and integrity of the corporate and financial information included on the Bank's websites also lies with the directors.

On behalf of the Board of Directors

MR. RAJAN SINGH BHANDARI

Chairman

REPORT ON THE ACTIVITIES OF AUDIT COMMITTEE

Audit Committee has been constituted under the chairmanship of a non-executive director. The Committee of the Board was constituted on July 10, 2007 (Ashadh 26, 2064) and was reconstituted on September 29, 2019 (Ashwin 12, 2076). The Board functions according to the regulatory provisions of NRB Unified Directives no.6 and the provisions of Sections 164 and 165 of Companies Act, 2063. Audit Committee constitutes three members in total including two directors nominated by BOD and Head of Internal Audit as Member Secretary. The committee meets regularly as per its charter to discuss and oversee the key issues highlighted by the Internal Audit Department.

During the reporting period July 17, 2019 to July 15, 2020 (Shrawan 1, 2076 to Ashadh 31, 2077), 14 (Fourteen) meetings (ACM 139 – 152) were conducted. The composition and attendance of the Committee as on July 15, 2020 (Ashadh 31, 2077) is as under:

COMPOSITION OF AUDIT COMMITTEE

MEMBER OF COMMITTEE	DESIGNATION	MEMBERSHIP STATUS
Mr. Avanindra Kumar Shrestha*	Director	Coordinator
Dr. Chanda Karki*	Director	Member
Mrs. Seeta Karki (K.C.)	Director	Coordinator
Mr. Sajjan Sharma	Director	Member
Mr. Ramdhan Shrestha	Assistant Chief Executive Officer	Member Secretary

* The Committee was reconstituted on September 29, 2019 (Ashwin 12, 2076) with two new committee members, Mrs. Seeta Karki (K.C.) (as Coordinator) & Mr. Sajjan Sharma (as Member) replacing Mr. Avanindra Kumar Shrestha and Dr. Chanda Karki.

ROLES AND RESPONSIBILITIES

The Audit Committee provides directions and oversees the operations of total audit functions of the Bank including the organization, operations and quality control of internal audit, internal control weaknesses and inspection within the Bank and follow-up of the suggestions of Statutory/External Auditors of the Bank and NRB inspections. The primary purpose of the audit committee is to provide oversight of financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations which includes the following:

- Discuss the financial statements of the institution and make sure that the disclosed financial information on the institution's operations is accurate and transparent as specified by accounting regulations and international accounting standards.
- Establish and oversee the Internal Audit Function. Approves the scope of audits, ensures the department's independency, conducts employee performance reviews and receives and reviews internal audit reports, conduct performance appraisal of head of internal audit department. Further, to approve the annual audit plan.
- Establish adequate accounting and internal control procedures that ensure compliance with applicable laws, regulations and directives. The committee will review and make assessment of the internal control systems. The committee oversees the implementation of proper accounting standard within the institution.
- To review the banks financial condition, internal controls, audit program and findings of the internal audit team and instruct management to adopt corrective actions on the issues, further to recommend to the Board of directors about the actions taken.
- To help management to make annual report accurate and real.
- To review the matters contained in the audit report of the external (statutory) auditors and instruct the management for necessary corrective actions.
- To review the Quarterly Financial Statements of the bank and report it to the Board of Director.
- To ensure the Board of Directors that accounts are accurate and fair, along with frequent reviews of the adequacy of provisioning against contingencies and classified loan.
- To review the compliance of the statutory laws, directives issued by NRB and include the same in the internal audit report.

ATTENDANCE IN FY 2019/20

During the year, 16 meetings of the committee were held to review the various matters connected with the internal control, systems and procedures and other aspects, as required in the terms of NRB directives.

MEMBER OF COMMITTEE	ATTENDANCE
Mr. Avanindra Kumar Shrestha, Director	6/6
Dr. Chanda Karki, Director	6/6
Mrs. Seeta Karki (K.C.), Director	8/8
Mr. Sajan Sharma, Director	8/8
Mr. Ramdhan Shrestha, Assistant Chief Executive Officer-IAD	14/14

**Mr. Ramdhan Shrestha was appointed as member secretary of the committee on May 3, 2019, replacing Mr. Anit Sapkota.*

MAJOR AGENDAS DISCUSSED & DECISIONS MADE IN THE MEETING OF AUDIT COMMITTEE.

1. Discussion on Half yearly INR compliance Report of CBIL FY 2019/20.
2. Reviewed the Audit Committee Charter- 2016 and Internal Audit Manual-2016.
3. Reviewed the Internal Audit Reports of branches & departments of the Bank and made various recommendations to the management.
4. Reviewed the Report of Information System Audit 2019/20.
5. Reviewed various branches special/surprise audit reports and provided various recommendations to management to enhance internal control.

The observation and comments put forth by internal/ external auditors and regulators were reported to the Board of Director with appropriate recommendations to which, the Board of Directors provided necessary instruction to the management to regularize such observations and comments. Audit Committee ensured such instruction were duly implemented, observed and that the comments were not repeated.

Conclusion

The Committee has been performing its functions effectively and reporting to Board of Directors with necessary recommendations. The Committee is grateful to all for extending cooperation in performing its responsibilities.

MRS. SEETA KARKI (K.C.)

Coordinator

Audit Committee

REPORT ON THE ACTIVITIES OF RISK MANAGEMENT COMMITTEE

The Bank has constituted a five member Risk Management Committee (constituting of 3 BOD members including one as permanent member from Audit Committee, Chief Operating Officer and Chief Risk Officer) for review of risks associated with Credit, Operations, Market, investment and ALCO functions, concentration risk, policy risk, compliance risk and portfolio risk. The committee was constituted on December 17, 2010 (Poush 2, 2067) under Risk Management Guidelines of Nepal Rastra Bank and NRB Directives. The committee was last re-constituted on September 29, 2019 (Ashwin 12, 2076). Mr. Prakash Chandra Mainali is the Coordinator of the committee

During the reporting period, July 17, 2019 to July 15, 2020 (Shrawan 1, 2076 to Ashadh 31, 2077), 7 (seven) meetings were conducted. The composition and attendance of the Committee as on July 15, 2020 (Ashadh 31, 2077) is as under:

MEMBER OF COMMITTEE	DESIGNATION	MEMBERSHIP STATUS
Mr. Prakash Chandra Mainali	Director	Coordinator
Mr. Avanindra Kumar Shrestha*	Director	Member
Mr. Prabal Jung Pandey	Director	Member
Ms. Seeta Karki (K.C.)**	Director	Permanent Member
Mr. Paras Kumar Kafle	Chief Operating Officer	Member
Mr. Rajendra Lal Shrestha	Chief Risk Officer	Member Secretary

*Mr. Avanindra Kumar Shrestha is no longer member of the committee since September 28, 2019 (Ashwin 11, 2076).

** The Co-ordinator of Audit Committee as permanent member.

ROLES AND RESPONSIBILITIES

The Committee of the Bank is assigned with the following responsibilities:

- To appraise the Board of Directors as to the appropriateness of the existing risk identification and management system as well as suggest for development of an appropriate system.
- To review the level of risk associated with the business, risk bearing capabilities, development of strategies, policy arrangements as well as guidelines adopted towards risk management and suggest to the Board of Directors as to their appropriateness.
- To obtain report from the management on risk management on a regular basis; discuss as to assess and evaluate the risk under existing system, control and monitoring mechanism and submit necessary suggestions to the Board.
- To analyze and review Capital adequacy as per the risk assets, internal capital adequacy assessment plan (ICAAP), appropriateness of policies as per the business strategy, maximum level of risk the organization may assume and submit necessary recommendation, opinion to the Board.
- To suggest the Board of Directors for development of mechanism and necessary policies as may be necessary as per the appropriate practices as well as internal limits to be fixed by the organization as per the guidelines/ directives issued by Nepal Rastra Bank relating to Risk Management.
- Conduct stress testing on a regular basis and discuss the outcome and on that basis submit recommendations to the Board as to the policies and procedures that are necessary for adoption in future.
- To review the authority delegation and analyze its appropriateness and submit report along with the recommendation to the Board of Directors.
- To review on quarterly basis, the assets structure, mobilization status of such assets, yield from the assets, improve/ deterioration in assets quality, as well as performance of Assets Liabilities Committee (ALCO) and submit report to the Board.
- To study the effect on to the financial institutions brought about by any problem or changes arising in any sector of the economy and submit a report to the Board of Directors along with the suggested policies for countering such situation.

ATTENDANCE IN FY 2019/20

During FY 2019/20, 7 meetings were held by Risk Management Committee and the detail of member attendance are as follows:

MEMBER OF COMMITTEE	ATTENDANCE
Mr. Prakash Chandra Mainali, Director	7/7
Mr. Avanindra Kumar Shrestha, Director*	1/1
Mr. Prabal Jung Pandey, Director	6/6
Ms. Seeta Karki (K.C.), Director	6/6
Mr. Paras Kumar Kafle, Chief Operating Officer	7/7
Mr. Rajendra Lal Shrestha, Chief Risk Officer	7/7

*Mr. Avanindra Kumar Shrestha is no longer member of the committee since September 28, 2019 (Ashwin 11, 2076).

MAJOR ACTIVITIES UNDERTAKEN

- Review of Risk Management Reports of quarter ends.
- Value at risk for Foreign Exchange Risk/ Equity Risk Analysis.
- Assets Liability Committee (ALCO) minutes for consideration.
- Quarterly ICAAP Implementation report.
- Banks Own Scenario for Stress Testing.
- Impact of Monetary Policy 2019-20 and NRB circulars.
- Discussion on review/changes/impact in Unified Directives 2076, NRB.
- HHI Measure for Concentration Risk (Sector wise loan Portfolio Analysis).
- Discussion on Banks Comparative quarter wise.
- Deposit forecasting for FY 2019-20.
- Associated Risks (Strategic Risk, Reputational Risk, & AML-CFT Risk).
- Discussion on Risk Tolerance and appetite limit as per Risk Management Framework.
- Discussion on Credit Shocks, Market Shock and liquidity shocks as per regulatory requirement.
- Discussion on Deposit Concentration, Single Obligor exposure, Product Wise loan exposure, Sector Wise Loan exposure.
- Discussion on Operational loss database as per Operational Risk Management Framework.
- Discussion regarding half Yearly review of Strategy for financing Working Capital loan.
- Discussion on Measurement of Exchange rate shocks, Measurement of Exposure on proprietary/Non proprietary derivative transactions, measurement of Interest Rate Shock, Equity Price shock as required by Market Risk Management Policy.
- Review of level of Operation In-charge.
- Gap analysis of Operational Risk Management.
- Agenda/ Issues discussed in ORMC meeting.
- Overall credit portfolio analysis.
- Credit Risk (Strategy for financing working Capital Loans).
- Credit Risk Report (Risk asset portfolio, LLP, NPA, Waivers, exceptions, etc.)

- Credit Risk Industry Analysis.
- Single Obligor Limit / Group Limit.
- Report on Impact of COVID-19 on Bank's Portfolio.
- Web Site Scan Report.
- Summary of IS Audit 2019 with its status.
- Case study of ATM Hack with its security.
- Way Forward of IT Risk.
- Quarterly review report of AML/CFT .
- Current Implementation status of various policies of Risk Management.
- Review of various Policies.

Conclusion

The Committee has been performing its functions effectively and reporting to Board of Directors with necessary recommendations. The Committee is grateful to all for extending cooperation in performing its responsibilities.

MR. PRAKASH CHANDRA MAINALI

Coordinator

Risk Management Committee

REPORT ON THE ACTIVITIES OF HUMAN RESOURCE COMPENSATION COMMITTEE

The Committee is constituted with the terms of reference of the committee in line with the regulatory provisions of the Nepal Rastra Bank. The Chief Executive Officer, responsible for the overall management of the Bank participates in all the deliberations and discussions, except in matters of conflict of interest.

COMPOSITION OF THE COMMITTEE

MEMBER OF COMMITTEE	DESIGNATION	MEMBERSHIP STATUS
Mr. Bijaya Dhoj Karki	Director	Coordinator
Mr. Sudesh Khaling Rai	Director	Member
Mr. Ganesh Raj Pokharel	Chief Executive Officer	Member
Mr. Pramesh Raj Kayastha	Chief Finance Officer	Member
Ms. Smita Pant	Head – Human Resource Department	Member Secretary

ROLES AND RESPONSIBILITIES

The Committee is vested with the responsibility to undertake and comment on the following:

- Provide necessary support to the Board of Directors in developing Employee Compensation and Benefit Determination Policy.
- Evaluate and assess the parameters of benefits and compensation package of the Bank and review the impact of changes in such benefits in the market and recommended changes from time to time.
- Review the existing compensation package including that of the Chief Executive Officer in line with the industry and the Compensation and Benefit Determination Policy and if required propose amendments in the package to the Board of Directors.
- Develop and evaluate the parameters of job description, targets and goals and assess the performance evaluation criteria.
- Develop policy and parameters related to recruitment and selection, appointment, placement, transfer, promotion, personnel development, performance evaluation, reward and punishment and recommend to the Board of Directors.
- Develop Human Resource Policy, Organization Chart and Manpower Planning along with Succession Planning and recommend it to the Board of Directors.
- Determine the design of, eligibility for and targets for, any long term performance related pay schemes operated by the Bank and subsequently, review the performance against these targets and agree any payments as proposed.
- Agree the policy for authorizing claims for expenses and ensure that all incentive plans comply with relevant legislation, codes of conduct and good remuneration practice.
- Make recommendations to the Board of Directors from time to time; of the additional/ new expertise required by the Bank and also address Succession Planning and issues related to the organizational structure.

ATTENDANCE IN FY 2019/20

In FY 2019/20, 13 meetings were held and the details of the member attendance are as follows:

MEMBER OF COMMITTEE	MEETING ATTENDED
Mr. Bal Krishna Prasai, Director*	3/3
Mr. Bijaya Dhoj Karki, Director**	9/9
Mr. Sudesh Khaling, Director***	1/1
Mr. Ganesh Raj Pokharel, Chief Executive Officer	12/12
Ms. Umang Sharma, Chief Administrative Officer****	6/6
Mr. Pramesh Raj Kayastha, Chief Finance Officer	11/12
Ms. Smita Pant, Head - Human Resource Department*****	6/6

**Mr. Bal Krishna Prasai ceased to be the member of the committee with effect from September 28, 2019 (Ashwin 11, 2076).*

***Mr. Bijaya Dhoj Karki was appointed as the member of the committee from September 29, 2019 (Ashwin 12, 2076).*

****Mr. Sudesh Khaling was appointed as the member of the committee from January 19, 2020 (Magh 5, 2076).*

*****Ms. Umang Sharma ceased to be the member of the committee from January 18, 2020 (Magh 4, 2076).*

******Ms. Smita pant was appointed as the member secretary of the committee from January 19, 2020 (Magh 5, 2076).*

In the FY 2019/20, following agenda were discussed in the committee meeting:

- Discussion on amendment and finalization of Human Resource Management Policy (HRM Policy), 2019 along with information sharing about staff medical limit to the committee.
- Discussion and decision for providing allowance (EOD Allowance, Morning Duty Allowance, Lunch/ Dinner Allowance during holidays/ Quarter End/ Night Work) to staff working at IT Department.
- Discussion on salary.
- Discussion on amendment in Employee Byelaws 2075 Annexure 8 (Aa- Staff Vehicle Facility) and (Cha- Citizens Special Welfare Fund).
- Discussion on Branch Categorization and approval of Compensation Determination Policy (Parishramik Nirdharan Niti).
- Discussion and subsequent approval of Branch Categorization/ Workload Analysis of department and province office.
- Discussion and recommendation of Manpower Plan 2077/78 as per Workload Analysis.
- Amendment in Annexure 8 (Gha) related to Advance Salary of Employee Byelaws, 2075.
- Amendment in Human Resource Management Policy Point No 4. "Hiring" (Submission of Police Report for new recruits in line with IS Audit recommendation).
- Discussion on revision of salary structure of the Bank along with the benefits provided to staff.
- Discussion and recommendation for Outsourcing Internal Audit Function of the Bank.
- Discussion and recommendation of Manpower Plan 2077/78 as per Workload Load Analysis of department, province office and branches to Board.
- Amendment in Organization Chart of the Bank.
- Reformation of Human Resource Compensation Committee.
- Decision regarding consideration of service Period of staff of Sahayogi Vikas Bank Limited (acquired); who were hired from permanent position to contract.
- Information and discussion regarding Performance Incentive Model and the cost for its implementation.

Conclusion

The Committee has been performing its functions effectively and reporting to the Board of Directors with necessary recommendations. The Committee is grateful to all for extending cooperation in performing its responsibilities.

MR. BIJAYA DHOJ KARKI

Coordinator

Human Resource Compensation Committee

REPORT ON THE ACTIVITIES OF ANTI MONEY LAUNDERING COMMITTEE (AMLC)

COMPOSITION OF THE COMMITTEE

The bank has constituted AML Committee to analyze as well as to monitor the AML/CFT related issue that arises in the bank.

The objective of this committee is to co-ordinate with various inter related departments as well as regulatory body to oversight the AML related issues on time and to take necessary corrective actions. The committee meets regularly on a quarterly basis or as per requirement to discuss and oversee the key issues highlighted by the Compliance Department. AML Committee has been constituted under the chairmanship of a non-executive director. The Committee of the Board was constituted on August 17, 2017 (Bhadra 01, 2074).

During the reporting period from July 17, 2019 to July 15, 2020 (Shrawan 1, 2076 to Ashadh 31, 2077), 4 meetings were conducted. The composition and attendance of the Committee as on July 15, 2020 (Ashadh 31, 2077) is as under:

MEMBER OF COMMITTEE	DESIGNATION	MEMBERSHIP STATUS
Mr. Sajan Sharma*	Director	Coordinator
Mrs. Seeta Karki (K.C.)**	Director	Member
Mr. Rajendra Lal Shrestha	Chief Risk and Recovery Officer	Member
Mr. Ravi Kr. Rauniyar***	Executive Risk Officer	Member Secretary

* Mr. Sajan Sharma was appointed as the Coordinator of the Committee replacing Mr. Pavitra Kumar Karki as per Board Decision dated September 29, 2019 (Ashwin 12, 2076) (BOD Meeting No:315 (10/2076/7)).

** Mrs. Seeta Karki (K.C.) was appointed as a Member of the Committee replacing Mr. Bijaya Dhoj Karki as per Board Decision dated September 29, 2019 (Ashwin 12, 2076) (BOD Meeting No:315 (10/2076/7)).

*** Mr. Ravi Kr. Rauniyar was appointed as a Member Secretary of the Committee replacing Ms. Seema Basyal as per the Board Decision dated September 29, 2019 (Ashwin 12, 2076) (BOD Meeting No:315 (10/2076/7)).

The committee is chaired by one nominated member of Board of Directors as Co-ordinator. The Committee meets minimum on a quarterly basis or as per need basis. The AMLC assists the BOD members in fulfilling its oversight responsibility over the Bank's compliance management to ensure that the Bank is within the compliance with the provisions of NRB Guidelines, Directives and Assets Money Laundering Prevention Act/rules (ALPA) and other applicable Acts.

ROLES AND RESPONSIBILITIES

- To assess the implementation status of Asset (Money) Laundering Prevention Act, 2064, Asset (Money) Laundering Prevention Rules, 2073 and NRB Directive No. 19 and report to Board of Directors.
- To formulate and implement the Customer Acceptance Policy of the Bank.
- To present the Quarterly Review Report assessing the implementation status of Money Laundering and Terrorism Financing Related Act, Rules and Directives to Board of Director.
- To discuss and suggest to Board of Director regarding the policy and institutional reforms needed for effective CDD, ECDD and PEP information through the use of Information Technology.
- To ascertain the effectiveness of the mechanisms put in place by the Bank for AML/CFT Compliance, monitoring of unusual transactions, and reporting to concerned authorities and present to Board of Directors for discussions.
- To cause to conduct Knowledge Sharing program regarding AML/CFT to the Implementing Officer, Shareholders holding more than or equal to 2% shares of paid-up capital, Senior Management and staffs engaged directly and regularly in the work of AML/CFT.

The Committee is authorised to:

- Ensure the rigorous implementation of the Board – approved framework for compliance management, including the approval of relevant policies and procedures.
- Request and receive sufficient information to satisfy it that the AML compliance is operating as intended.

In FY 2019/20, Anti Money Laundering Committee has held 4 meetings and the details of member attendance are as follows:

MEMBER OF COMMITTEE	ATTENDANCE
Mr. Sajjan Sharma	3/4
Mrs. Seeta Karki (K.C.)**	3/4
Mr. Rajendra Lal Shrestha	4/4
Mr. Ravi Kr. Rauniyar***	3/4

** Mrs. Seeta Karki (K.C.) was appointed as a Member of the Committee replacing Mr. Bijaya Dhoj Karki as per Board Decision dated September 29, 2019 (Ashwin 12, 2076) (BOD Meeting No: 315 (10/2076/7)).

*** Mr. Ravi Kr. Rauniyar was appointed as a Member Secretary of the Committee replacing Ms. Seema Basyal as per the Board Decision dated September 29, 2019 (Ashwin 12, 2076) (BOD Meeting No:315 (10/2076/7)).

Major agendas discussed in Anti Money Laundering Committee (AMLC) meeting:

- Quarterly AML/CFT- Compliance Review Report .
- GAP Analysis and implementation of NRB Directive 19 and Asset (Money) Laundering Rule, 2073.
- Discussion on reporting of Threshold Transaction Reports(TTR) and STR.
- Discussion on training and awareness to employees with importance of AML/KYC.
- Guidelines on Monitoring of Accounts/Transactions and STR Reporting 2020.
- Review of AML/CFT Policy, 2019 and AML/CFT Procedures 2020.
- Review of Sanction Screening Policy, 2019.
- Risk Assessment Report 2075/76.
- Review of Terms of Reference (TOR) of AML Committee.

Evaluation of the Committee:

An independent evaluation of the Committee was done by the Board of Directors of the Bank with regard to the effectiveness of the Committee while discharging its functions and its contribution on the overall performance of the Bank and was found to be satisfactory.

MR. SAJJAN SHARMA

Coordinator

Anti-Money Laundering Committee

INFORMATION FOR UNDERSTANDING FINANCIAL STATEMENTS

ITEMS OF STATEMENT OF FINANCIAL POSITION

1.1 CASH AND CASH EQUIVALENTS

It consists of the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short term commitments.

1.2 DUE FROM NEPAL RASTRA BANK

It consists of statutory balances held with Nepal Rastra Bank for compulsory cash reserve, securities purchased from Nepal Rastra Bank under resale agreement and other deposits with and receivables from Nepal Rastra Bank has been presented under this account head.

1.3 PLACEMENT WITH BANK AND FINANCIAL INSTITUTIONS

Placements with domestic as well as foreign bank and financial institutions with original maturities of more than three months from the acquisition date are presented under this account head.

1.4 DERIVATIVE FINANCIAL INSTRUMENTS

It includes derivative instruments like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes.

1.5 OTHER TRADING ASSETS

Trading assets are those assets that the Bank acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit has been presented under this account head. The other trading asset includes non-derivative financial assets. It includes Government bonds, NRB bonds, Domestic Corporate bonds, Treasury bills, Equities, etc. held primarily for the trading purpose.

1.6 LOAN AND ADVANCES TO BANK AND FINANCIAL INSTITUTIONS

It includes loan and advances provided to microfinance financial institutions as well as other bank and financial institutions. Specific impairment on loan and advance to bank and financial institutions has been deducted while presenting.

1.7 LOAN AND ADVANCES TO CUSTOMERS

It includes sum of the outstanding amount of all loans and advances extended to the customers other than BFIs as well as bills purchased and discounted less the amount of impairment allowances. Loan to employees provided according to the Employees Bye laws of the Bank has also been presented under this head.

1.8 INVESTMENT SECURITIES

It includes investments made by the Bank under three different categories:

- a. Investment securities designated at fair value through profit or loss
- b. Investment securities measured at amortized cost and
- c. Investment in equity measured at fair value through other comprehensive income.

Investment other than those measured at amortized cost has been measure at fair value and changes in fair value has been recognized in profit or loss, or other comprehensive income as per the business model adopted by the Bank for the specific securities.

Where income from the investment is received in the form of bonus shares, the valuation of investment has been made by increasing the number of shares only without changing in the cost of investment.

1.9 CURRENT TAX ASSETS

It includes any advance payment made by the Bank towards income tax liabilities or other tax liabilities to the taxing authorities (Inland Revenue Department).

1.10 INVESTMENT IN SUBSIDIARIES

It includes those entities that are controlled by the Bank. The investment in subsidiaries has been shown in separate individual financial statement, which has been eliminated in consolidation process, so no amount has been presented under group financial statements.

1.11 INVESTMENT IN ASSOCIATES

It includes those entities in which the Bank has significant influence but not control over the financial and operating policies.

1.12 INVESTMENT PROPERTIES

It includes land or land and building other than those classified as property and equipment; and non-current assets held for sale under relevant accounting standard. This also includes land, land and building acquired as Non-Banking Assets held by the Bank but not sold as of reporting period.

1.13 PROPERTY AND EQUIPMENT

It includes all assets of long-term nature (fixed) like land, building, IT equipment, fixtures and fittings, office equipment and appliances, vehicles, machinery, leasehold developments and capital work in progress owned by the Bank.

1.14 GOODWILL AND INTANGIBLE ASSETS

It includes goodwill and intangible assets like computer software both purchased and internally generated, trade mark, etc.

1.15 DEFERRED TAX ASSETS

It includes deferred tax assets recognized as per NFRS (NAS 12, Income Taxes) on temporary deductible differences, carry forward of unused tax losses, changes in tax rate, etc.

1.16 OTHER ASSETS

It Includes other tangible or intangible asset not mentioned above (1.1 to 1.15) like assets held for sale, non-banking assets (other than land or land and building), restricted deposits with central banks, accounts receivable, interest receivable, accrued income, prepayments and deposit, etc.

1.17 DUE TO BANK AND FINANCIAL INSTITUTIONS

It includes the balances in accounts maintained with the Bank by other local and foreign banks and financial institution. Interbank borrowing, interbank deposit, balances on settlement and clearing accounts as well as other amount due to bank and financial institution has also been presented under this head.

1.18 DUE TO NEPAL RASTRA BANK

It includes the amount payable to Nepal Rastra Bank like amount of refinance facilities, standing liquidity facility, lender of last resort, sale and repurchase agreements, deposit from NRB, etc.

1.19 DERIVATIVE FINANCIAL INSTRUMENTS

It includes all derivative liabilities like interest rate swap, currency swap, forward foreign exchange contract, etc. held for trading as well as risk management purposes.

1.20 DEPOSITS FROM CUSTOMERS

It includes all deposit accounts other than deposit from BFIs (local and foreign) and NRB.

1.21 BORROWING

It includes all domestic as well as foreign borrowing other than interbank borrowing and borrowing from Nepal Rastra Bank. It also includes borrowing from Nepal Government, borrowing from other domestic institutions, borrowing from foreign bank and financial institutions, multilateral development banks, etc.

1.22 CURRENT TAX LIABILITIES

It includes liabilities recognized for the purpose of current income tax, including fees, penalties.

1.23 PROVISIONS

A provision is recognized when as a result of a past event, the licensed institution has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation and it includes provision for redundancy, provision for onerous contracts, provision for restructuring, pending legal issues and tax litigation, credit commitments and guarantees, etc.

1.24 DEFERRED TAX LIABILITIES

These liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax liabilities are recognised as per requirement of NFRS (NAS 12 – Income Taxes).

1.25 OTHER LIABILITIES

Any residual liabilities not captured above (from 1.17 to 1.24) has been presented under an appropriate head. Liabilities relating to employees benefits like liabilities for defined benefit obligation gratuity and pension fund, liabilities for long-service leave, cash settled share based payment liabilities, short-term employee benefits, etc., creditors and accruals, interest payable on deposit and borrowing, unearned income, unpaid dividend, etc. have also been presented under this head.

1.26 DEBT SECURITIES ISSUED

It includes debenture, bond or other debt securities issued by the Bank.

1.27 SUBORDINATED LIABILITIES

It includes such liabilities like liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors. It also includes redeemable preference share, subordinated notes issued, borrowings, etc.

ITEMS OF STATEMENT OF EQUITY**1.28 SHARE CAPITAL**

It includes amount of paid up share capital of the Bank. Any amount credited in share capital by issuing bonus shares utilizing the accumulated profit and reserves has also been disclosed under this heading. It also includes paid up amount of ordinary share capital and equity component of preference share capital.

1.29 SHARE PREMIUM

The amount of money collected on issue of shares in excess of its face value has been presented under this heading. The outstanding amount in this account will not be considered eligible for distribution of cash dividend.

1.30 RETAINED EARNINGS

The accumulated profit which has not been distributed to shareholders and has been ploughed back in the Bank's operations and is free for distribution of dividend has been presented under this heading.

ITEMS OF STATEMENT OF PROFIT OR LOSS**1.31 INTEREST INCOME**

This includes income recognized as per NFRS (that is on accrual basis). It includes interest income on loan and advance, investment securities except on those investment securities measured at fair value through profit or loss, cash and cash equivalent, due from Nepal Rastra Bank, due from BFIs, loan and advances to staff, etc.

1.32 INTEREST EXPENSE

This includes interest expenses recognized as per NFRS (that is on accrual basis). It includes interest accrued on deposits collected, debt securities issued, borrowings obtained, subordinated liabilities, amount due to bank and financial institutions, due to NRB, etc.

1.33 FEES AND COMMISSION INCOME

Fee income is earned for diverse ranges of services provided by the Bank to its customers. Fee income arises on the execution of a significant act completed or from provision of services like asset management, portfolio management, management advisory and service fees, etc. It also includes loan documentation fee, loan management fee, consortium fee, commitment fee, card issuance and renewal fee, prepayment and swap fee, remittance fee, investment banking fee, asset management fee, brokerage, commission on letter of credit, commission on guarantee, locker rental income, etc. The fees and commission income that are integral to the effective interest rate on the financial assets are included in the measurement of the effective interest rate, which has been exempted by issue of Carve-outs by Institute of Chartered Accountants of Nepal.

1.34 FEES AND COMMISSION EXPENSE

It includes pay-outs on account of fee and commission for services obtained by the Bank. This account head also include card related fees, guarantee commission, brokerage expenses, etc. The fees and commission expense that are integral to the effective interest rate on the financial liability are included in the measurement of the effective interest rate which has been exempted by issue of Carve-outs by Institute of Chartered Accountants of Nepal.

1.35 NET TRADING INCOME

It comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as well as unrealized changes in fair value of trading assets and liabilities.

1.36 OTHER OPERATING INCOME

It includes receipt of all other operating income not specifically provided under the income heads above (1.31 to 1.35). This also includes foreign exchange revaluation gain, gain/loss on sale of available for sale securities, dividend on

available for sale securities, gain/loss on sale of property and equipment, gain/loss on sale of investment properties, operating lease income, gain/loss on sale of gold and silver, finance income of finance lease, etc.

1.37 IMPAIRMENT CHARGE/ (REVERSAL) FOR LOAN AND OTHER LOSSES

Impairment loss recognized as per NFRS on loan and other losses has been presented under this account head. It also includes impairment charge/ reversal on loan and advances to customers, loan and advances to bank and financial institutions, investment securities, placement with bank and financial institutions, property and equipment, goodwill and intangible assets, investment properties, etc.

1.38 PERSONNEL EXPENSES

It includes all expenses related to employees of a bank like employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, staff bonus, finance expense under NFRS, cash-settled share-based payments, etc.

1.39 OTHER OPERATING EXPENSES

It includes all operating expense other than those relating to personnel expense. It covers expenses like office administration expense, other operating and overhead expense, directors' emoluments, remuneration and non-audit fee paid to auditors, professional and legal expense, branch closure cost expense, redundancy cost expense, expense of restructuring, impairment of non-financial assets, expense of corporate social responsibility, onerous lease provisions, etc.

1.40 DEPRECIATION AND AMORTIZATION

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation measured and recognized as per NFRS on property and equipment, and investment properties, and amortization of intangible assets has been presented under this account head.

1.41 NON-OPERATING INCOME / EXPENSE

It includes those income and expenses that have no direct relationship with the regular operation/ transactions of the Bank. The income/ expense covered under this account head includes loan written off, recovery of loan, redundancy provision, expense of restructuring, etc.

1.42 INCOME TAX EXPENSE

It includes income tax on net taxable profit segregated into current tax expense and deferred tax expense/ deferred tax income.

ITEMS OF THE STATEMENT OF OTHER COMPREHENSIVE INCOME

1.43 FAIR VALUE RESERVE RELATING TO INVESTMENT IN EQUITY INSTRUMENTS

Net changes in fair value of equity instrument that are measured at fair value and the changes in fair value is required to be recognized in Other Comprehensive Income has been recognized and presented under this account head. The changes may be subsequently reclassified to Profit and Loss in accordance with the relevant NFRS and be deducted from the fair value reserve.

1.44 CHANGES IN REVALUATION RESERVE

Changes in revalued amount of property and equipment, and intangible have been presented under this account head.

1.45 CASH FLOW HEDGE

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value (losses) of the derivative is recognised and presented in Other Comprehensive Income. The changes may be subsequently reclassified to Profit and Loss in accordance with the relevant NFRS and be deducted from the fair value reserve.

1.46 NET ACTUARIAL GAIN/ LOSS ON DEFINED BENEFIT PLANS

Re-measurement gain/losses arising from experience adjustments and changes in actuarial assumptions (demographic and geographical) are recognized in the period in which they occur, directly in other comprehensive income and has been be presented under this account head.

1.47 INCOME TAX RELATING TO THESE ITEMS

The income tax relating to the items shown in Other Comprehensive Income has been presented under this head.



196/30–Radhe Marg, Dillibazar, Kathmandu
 Tel: +977-1-4440317, 4435894, Fax: +977-1-4445218
 E-mail: keshab@kkbudhathoki.com.np
 URL: www.kkbudhathoki.com.np

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CITIZENS BANK INTERNATIONAL LIMITED

Opinion

We have audited the accompanying separate financial statements of the Citizens Bank International Ltd (the “Bank”) and the Consolidated Financial Statements of the Bank and its subsidiaries (the “Group”), which comprise the consolidated and separate statement of financial position as at Ashad 31, 2077 (July 15, 2020), and the consolidated and separate statement of profit or loss, consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and notes to the consolidated and separate financial statement.

In our opinion, the accompanying consolidated financial statements of the Group and the separate financial statements of the Bank give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Bank as at Ashad 31, 2077 and their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs) as explained in note 2.1.

Basis for Opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Consolidated and separate Financial Statements section of our report. We are independent of the Group and the Bank in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the ICAN's Handbook of the Code of Ethics for professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to the attached Notes No. 5.28 forming part of the consolidated and separate financial statements on the impact of uncertainties caused by COVID-19 on the business and financial results and management's assessment of the same in prevailing situation. The management is continuously evaluating the effect of the uncertainties on an ongoing basis with reference to challenges under the prevailing uncertainties.

Our opinion on the consolidated and separate financial statements is not modified in respect of the above matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters. Our assessed key audit matters and how we addressed them are outlined below:

a. Audit of Branches

Government imposed the lockdown and restrictions on travel in view of the pandemic caused by Covid-19, consequentially we could not audit major branches of the Bank outside of valley requiring visits, which is a major task requiring lots of attention and planning to ensure sufficient audit evidence is obtained to provide necessary assurance. Further it is implied practice that though the methodology of audit may change, the same will not have any adverse impact on obtaining sufficient audit evidence in forming an assurance opinion.

To overcome travel restrictions, we sampled to audit more branches within valley and others so that our audit team could reach and visit with less and permitted travels. Even though it resulted in reduction of number of audited branches for the year 2076-77 as compared to the previous year physically, we adopted remote audit of various branches by which audit of branch could be done from another branch remotely where we could visit and view the accounts, documents etc. of the branch to be audited. We were able to view these documents and evidence electronically through emails and remote access to the relevant software (Finacle) and obtained sufficient audit evidence to form an audit opinion.

The break up details of the branches audited as compared to the previous year are as stated below.

PRATICULAR	31.03.2077	31.03.2076
Total No. of branches	109	81
No. of branches audited	22	21
No. of unaudited branches	87	60
Total advances covered	71.58%	68%

b. Acquisition of Sahayogi Vikash Bank Ltd

With reference to the Note No. 5.8 to the financial statements, the Bank has acquired Sahayogi Vikash Bank Limited, “B” class financial institution licensed by NRB and started joint transaction from 20th Ashad 2077. The financial statements ended on 19th Ashad 2077 has been prepared by the management of Acquiree Bank and audited by other auditor. The audited financial statement for then ended, which has been considered in the separate financial statement of the Bank along with the auditor’s report has been provided to us by the management.

We have assessed the competence and tested control put in by the Bank to ensure due process and formalities has been fulfilled to acquire such Vikash Bank. We have relied on the Due Diligence Audit Report of the Acquiree Bank as on the acquisition date of other auditor. We have also checked calculation and accounting entries of net assets acquired and bargain gain on purchase. We have also relied on the audit report of the other auditor on the financial statement of the Acquiree Bank for the period ended on 19th Ashad 2077, which has been incorporated in the separate financial statements of the Bank.

c. Measurement of provision for loans and advances

The process of estimating the provision for loans and advances associated with credit risk is significant and complex. The materiality of the reported amounts for the loans and advances (and impairment allowance thereof), adverse impact of COVID-19 in the financial performance of borrowers deteriorated their repaying capacity increasing risk of credit default, NRB directions to meet the COVID-19 crisis, involvement of complex calculations underpinned our basis for considering it as Key Audit Matter.

As per para 58 of NAS 39, the Bank has assessed at the end of reporting period whether there is any objective evidence that a financial assets or group of financial assets measured at amortized cost is impaired, and in case of such evidence existed, it has applied para 63 to determine the amount of impairment loss. However, as per carve out on para 58 of NAS 39, the Bank has assessed and measured impairment loss on loans and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount derived as per para 63 of NAS 39. As at Ashad 31, 2077, 72% of total assets of the Group consisted of loans and advances amounting Rs.81.01 billion (Note 4.7), impairment allowance for the year then ended of Rs.2.03 billion (Note 4.7.4) being higher of impairment as per NFRS is Rs.1.12 billion and impairment loss as per norms of NRB is 2.03 billion. Significant estimates and assumptions used by the management in such calculations, their sensitivity and the basis for impairment allowance are disclosed in Notes 3.4.7 and 5.11.

Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as under;

- Evaluating the design of internal controls relating to implementation of circulars/ directives issued by NRB and also internal policies and procedure of the Bank.
- Examining all the large and other advances on a sample basis including review of valuation reports of the independent valutors as provided by the Bank’s management.
- Reviewing the files of borrowers containing credit appraisal and other substantiating documents selected on sample basis and assessing the assigned risk premium and appropriate action taken commensurate with the operation of such accounts.
- Relying on the audit reports of the other statutory auditors.
- Performing relevant analytical procedures.
- Test checking of interest application, levying of management fee and other charges etc.

d. Information Technology (IT) systems and controls over financial reporting

The entire preparation of financial statements is highly dependent on CBS and other supporting software and hardware controls. Adequate and appropriate IT controls are required to ensure that IT application process data are as expected, appropriate user access and changes are made in an appropriate manner. Such controls ensure mitigating the expected risk of erroneous output data. Audit outcome is dependent on the extant IT controls and systems, and accordingly the above areas are determined to be as key audit matter.

We have carried out our audit procedures with Nepal Standards on Auditing guidelines towards implementation of IT policies and procedures followed by the Bank in order to effectively monitor, control, and evaluate the IT applications and controls to ensure effective implementation of such policies and procedures. We have also relied on the report issued by the IS Auditor and obtained necessary inputs from IS experts wherever necessary.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and our auditor's report thereon. The annual report is expected to be made available for our review after the date of this auditor's report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, we will consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to request management and those charged with governance to correct the material misstatement.

Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Group and also separate financial statement of the Bank that give true and fair view in accordance with Nepal Financial Reporting Standards (NFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related

disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

On the basis of our examination, we would like to further report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose for our audit.
- ii. The accounts and records of the Group and the Bank has been maintained as required by law.
- iii. Consolidated and separate financial statements are in agreement with the books of account maintained by the Group and the Bank.
- iv. The capital fund, risk bearing fund and the provision for possible impairment of asset of the Bank are adequate as per the Directives issued by Nepal Rastra Bank.
- v. In our opinion and to the best of our information and according to the explanation given to us, the Board of Directors, the representative or any employee of the Group and the Bank has not acted contrary to the provision of law relating to accounts nor caused direct loss or damage to the Group and the Bank deliberately or acted in a manner that would jeopardized the interest and security of the Group and the Bank.
- vi. The operations of the Group and the Bank were within its jurisdiction.
- vii. The Group and the Bank has not acted in a manner to jeopardize the interest and security of the depositors and investors,
- viii. The Bank has a centralized core accounting system and details received from branches of the Bank though the statements are independently not audited, were adequate for the purpose of our audit, and
- ix. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the book of accounts.



CA. KESHAB KUMAR BUDHATHOKI

Date: October 19, 2020
Place: Baluwatar, Kathmandu
UDIN: 201020CA00437yJP6

K.K. Budhathoki & Associates

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at July 15, 2020 (Ashadh 31, 2077)

AMOUNT IN NPR

PARTICULARS	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ASSETS					
Cash and Cash Equivalents	4.1	10,847,179,498	6,742,724,913	10,841,972,930	6,740,702,460
Due from Nepal Rastra Bank	4.2	2,430,001,128	2,596,966,889	2,430,001,128	2,596,966,889
Placement with Bank and Financial Institutions	4.3	302,681,924	394,769,893	302,681,924	394,769,893
Derivative Financial Instruments	4.4	1,029,497	44,104,432	1,029,497	44,104,432
Other Trading Assets	4.5	136,860,173	653,480,338	90,624,023	567,253,479
Loans and Advances to B/FIs	4.6	1,534,103,548	1,581,899,190	1,534,103,548	1,581,899,190
Loans and Advances to Customers	4.7	78,976,395,245	62,911,970,484	78,976,395,245	62,911,970,484
Investment Securities	4.8	11,860,108,562	10,854,379,551	11,828,332,562	10,822,603,551
Current Tax Assets	4.9	155,473,891	12,016,364	142,488,502	14,624,427
Investment in Subsidiaries	4.10	-	-	167,204,200	167,204,200
Investment in Associates	4.11	34,693,285	29,728,445	18,951,500	17,951,500
Investment Property	4.12	195,532,789	222,547,153	195,532,789	222,547,153
Property and Equipment	4.13	2,559,426,140	2,308,095,479	2,554,050,177	2,302,848,711
Goodwill and Intangible Assets	4.14	76,446,802	93,699,311	75,322,689	93,353,427
Deferred Tax Assets	4.15	-	23,971,072	-	20,235,997
Other Assets	4.16	1,414,650,846	1,608,239,372	1,391,992,008	1,622,327,760
Total Assets		110,524,583,328	90,078,592,886	110,550,682,722	90,121,363,553
LIABILITIES					
Due to Bank and Financial Institutions	4.17	3,688,903,954	3,926,662,470	3,688,903,954	3,926,662,470
Due to Nepal Rastra Bank	4.18	567,577,082	1,212,586,471	567,577,082	1,212,586,471
Derivative Financial Instruments	4.19	-	-	-	-
Deposits from Customers	4.20	88,173,854,887	70,355,477,776	88,496,228,464	70,509,084,649
Borrowing	4.21	-	-	-	-
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	5,306,626	5,306,626	5,306,626	5,306,626
Deferred Tax Liabilities	4.15	12,937,113	-	13,613,542	-
Other Liabilities	4.23	1,551,825,562	1,482,679,856	1,386,951,527	1,473,951,481
Debt Securities Issued	4.24	2,974,381,302	499,145,186	2,974,381,302	499,145,186
Subordinated Liabilities	4.25	-	-	-	-
Total Liabilities		96,974,786,525	77,481,858,385	97,132,962,497	77,626,736,883
EQUITY					
Share Capital	4.26	9,089,817,290	8,371,064,773	9,089,817,290	8,371,064,773
Share Premium		4,124,402	46,816,126	4,124,402	46,816,126
Retained Earnings		962,810,346	1,267,705,675	931,156,947	1,251,267,361
Reserves	4.27	3,397,893,748	2,827,477,541	3,392,621,587	2,825,478,410
Total Equity Attributable to Equity Holders		13,454,645,786	12,513,064,114	13,417,720,225	12,494,626,670
Non-Controlling Interest		95,151,017	83,670,387	-	-
Total Equity		13,549,796,803	12,596,734,501	13,417,720,225	12,494,626,670
Total Liabilities and Equity		110,524,583,328	90,078,592,886	110,550,682,722	90,121,363,553
Contingent liabilities and commitment	4.28	71,721,709,819	52,299,499,009	71,324,152,819	51,842,008,109
Net assets value per share		148.02	149.48	147.61	149.26

PRAMESH RAJ KAYASTHA
Chief Finance Officer

SEETA KARKI (K.C.)
Director

GANESH RAJ POKHAREL
Chief Executive Officer

PRABAL JUNG PANDEY
Director

RAJAN SINGH BHANDARI
Chairman

SAJAN SHARMA
Director

PRAKASH CHANDRA MAINALI
Director

SUDESH KHALING RAI
Director

BIJAYA DHOJ KARKI
Director

As per our report of even date
CA Keshav Kumar Budhathoki
Proprietor
K K Budhathoki & Associates
Chartered Accountants

Date: October 19, 2020
Place: Narayanhiti Path, Kathmandu

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended July 15, 2020 (Ashadh 31, 2077)

AMOUNT IN NPR

PARTICULARS	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Interest Income	4.29	9,493,209,228	8,534,221,931	9,489,525,338	8,532,283,587
Interest Expenses	4.30	(6,584,182,162)	(5,833,397,635)	(6,604,771,721)	(5,843,821,610)
Net Interest Income		2,909,027,066	2,700,824,296	2,884,753,617	2,688,461,977
Fees and Commission Income	4.31	615,016,437	601,483,255	582,213,590	568,573,901
Fees and Commission Expenses	4.32	(59,474,863)	(67,936,813)	(57,731,667)	(62,260,248)
Net Fees and Commission Income		555,541,574	533,546,442	524,481,923	506,313,653
Net Interest, Fees and Commission Income		3,464,568,640	3,234,370,738	3,409,235,540	3,194,775,629
Net Trading Income	4.33	288,341,327	343,676,130	281,338,052	277,322,135
Other Operating Income	4.34	104,680,923	36,519,227	100,102,839	30,465,306
Total Operating Income		3,857,590,890	3,614,566,095	3,790,676,430	3,502,563,070
Impairment (Charge)/ Reversal for Loans and Other Losses	4.35	(640,133,259)	138,372,772	(640,133,259)	138,372,772
Net Operating Income		3,217,457,631	3,752,938,867	3,150,543,171	3,640,935,843
Operating Expenses					
Personnel Expenses	4.36	(946,259,782)	(910,939,209)	(935,254,564)	(900,244,354)
Other Operating Expenses	4.37	(507,380,463)	(477,547,047)	(504,580,220)	(469,787,230)
Depreciation & Amortisation	4.38	(213,642,418)	(172,470,757)	(211,684,673)	(170,501,154)
Operating Profit		1,550,174,968	2,191,981,853	1,499,023,715	2,100,403,106
Non Operating Income	4.39	158,882,066	28,260,200	169,713,481	77,786,069
Non Operating Expenses	4.40	-	(575,339)	-	(575,339)
Profit Before Income Tax		1,709,057,034	2,219,666,715	1,668,737,195	2,177,613,836
Income Tax Expenses	4.41				
Current Tax		(476,962,449)	(778,977,415)	(469,449,326)	(776,346,002)
Deferred Tax		(3,867,197)	63,316,326	(783,210)	61,950,946
Profit (Loss) for the Period		1,228,227,388	1,504,005,626	1,198,504,659	1,463,218,780
Profit Attributable To:					
Equity Holders of the Bank		1,219,083,658	1,491,780,965	1,198,504,659	1,463,218,780
Non-Controlling Interest		9,143,730	12,224,660		
Profit for the Period		1,228,227,388	1,504,005,625	1,198,504,659	1,463,218,780
Earnings Per Share					
Basic Earnings Per Share		14.22	17.98	13.88	17.49
Diluted Earnings Per Share		14.22	17.98	13.88	17.49

PRAMESH RAJ KAYASTHA
Chief Finance Officer

GANESH RAJ POKHAREL
Chief Executive Officer

RAJAN SINGH BHANDARI
Chairman

PRAKASH CHANDRA MAINALI
Director

BIJAYA DHOJ KARKI
Director

SEETA KARKI (K.C.)
Director

PRABAL JUNG PANDEY
Director

SAJAN SHARMA
Director

SUDESH KHALING RAI
Director

As per our report of even date
CA Keshav Kumar Budhathoki
Proprietor
K K Budhathoki & Associates
Chartered Accountants

Date: October 19, 2020
Place: Narayanhiti Path, Kathmandu

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended July 15, 2020 (Ashadh 31, 2077)

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit or Loss for the Period	1,228,227,388	1,504,005,625	1,198,504,659	1,463,218,780
Other Comprehensive Income				
a) Items that will not be reclassified to Profit or Loss				
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value	77,795,492	95,938,512	77,795,492	95,938,512
Gains/ (Losses) on Revaluation				
Actuarial Gains/ (Losses) on Defined Benefit Plans	(24,875,370)	(15,762,023)	(24,790,901)	(15,813,677)
Income Tax relating to above items	(15,876,037)	(24,052,947)	(15,901,377)	(24,037,451)
Net Other Comprehensive Income that will not be reclassified to Profit or Loss	37,044,086	56,123,542	37,103,214	56,087,385
b) Items that are or may be reclassified to Profit or Loss				
Gains/ (Losses) on Cash Flow Hedge				
Exchange Gains/ (Losses) (arising from translating Financial Assets of Foreign Operation)				
Income Tax relating to above items				
Net Other Comprehensive Income that are or may be reclassified to Profit or Loss				
c) Share of Other Comprehensive Income of Associate accounted as per Equity Method				
Other Comprehensive Income for the Period, Net of Income Tax	37,044,086	56,123,542	37,103,214	56,087,385
Total Comprehensive Income for the Period	1,265,271,474	1,560,129,167	1,235,607,873	1,519,306,165
Profit Attributable to:				
Equity Holders of the Bank	1,256,127,744	1,547,891,341	1,235,607,873	1,519,306,165
Non-Controlling Interest	9,143,730	12,237,826	-	-
Total Comprehensive Income for the Period	1,265,271,474	1,560,129,167	1,235,607,873	1,519,306,165

PRAMESH RAJ KAYASTHA
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K K Budhathoki & Associates
Chartered Accountants

Date: October 19, 2020
Place: Narayanhiti Path, Kathmandu

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended July 15, 2020 (Ashadh 31, 2077)

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest Received	8,509,186,225	8,195,778,060	8,510,285,347	8,193,995,376
Fees and Other Income Received	639,685,724	624,871,154	607,821,628	593,645,693
Dividend Received	57,000	3,556,406	57,000	220,434
Receipts from Other Operating Activities	347,964,369	340,774,944	358,182,540	390,072,146
Interest Paid	(6,399,803,133)	(5,936,284,190)	(6,420,392,692)	(5,951,919,486)
Commission and Fees Paid	(57,731,667)	(67,393,405)	(57,731,667)	(67,393,405)
Cash Payment to Employees	(918,378,301)	(830,334,290)	(907,082,314)	(823,759,526)
Other Expenses Paid	(487,327,955)	(201,628,993)	(484,527,712)	(189,876,502)
Operating Cash Flows before Changes in Operating Assets and Liabilities	1,633,652,262	2,129,339,686	1,606,612,130	2,144,984,729
(Increase)/ Decrease in Operating Assets				
Due from Nepal Rastra Bank	1,545,653,776	1,093,225,404	1,545,653,776	1,093,225,404
Placement with Bank and Financial Institutions	92,087,969	1,595,108,465	92,087,969	1,595,108,465
Other Trading Assets	505,897,554	(573,250,005)	505,897,554	(573,250,005)
Loans and Advances to Bank and Financial Institutions	84,875,631	(161,252,993)	84,875,631	(161,252,993)
Loans and Advances to Customers	(12,281,363,118)	(7,383,780,341)	(12,281,363,118)	(7,383,780,341)
Other Assets	295,544,222	(149,263,437)	294,472,099	(152,951,620)
Increase/ (Decrease) in Operating Liabilities				
Due to Bank and Financial Institutions	(311,383,946)	591,373,938	(311,383,946)	591,373,938
Due to Nepal Rastra Bank	(645,009,390)	517,545,101	(645,009,390)	517,545,101
Deposit from Customers	10,373,180,199	9,659,450,804	10,542,751,365	9,813,057,677
Borrowings	-	(2,799,466)	-	-
Other Liabilities	(194,764,790)	(17,293,641)	(295,210,210)	122,344,510
Net Cash Flow from Operating Activities before Taxes Paid	1,098,370,371	7,298,403,516	1,139,383,862	7,606,404,866
Income Taxes Paid	(602,539,104)	(676,326,707)	(597,313,401)	(676,316,639)
Net Cash Flow from Operating Activities	495,831,264	6,622,076,809	542,070,461	6,930,088,227
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investment Securities	(926,944,385)	(5,053,592,491)	(926,933,518)	(5,188,592,491)
Receipts from Sale of Investment Securities	44,959,018	43,216,718	-	-
Purchase of Property and Equipment	(349,604,455)	(356,494,908)	(348,195,446)	(355,933,071)
Receipt from the Sale of Property and Equipment	2,746,502	3,451,579	2,746,502	3,451,579
Purchase of Intangible Assets	(7,264,170)	(22,819,397)	(6,319,490)	(22,819,397)
Receipt from the Sale of Intangible Assets	-	-	-	-
Purchase of Investment Properties	-	-	-	-
Receipt from the Sale of Investment Properties	33,321,669	70,572,412	33,321,669	70,572,412
Interest Received	498,149,864	322,555,772	493,366,852	322,400,112
Dividend Received	14,361,992	2,667,853	12,316,159	2,667,853
Net Cash used in Investing Activities	(690,273,964)	(4,990,442,461)	(739,697,272)	(5,168,253,003)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from Issue of Debt Securities	2,474,283,807	-	2,474,283,807	-
Repayment of Debt Securities	-	-	-	-
Receipt from Issue of Subordinated Liabilities	-	-	-	-
Repayment of Subordinated Liabilities	-	-	-	-
Receipt from Issue of Shares	43,905,624	92,765,200	43,905,624	92,765,200
Dividends Paid	(943,197,062)	(117,635,632)	(943,197,062)	(117,635,632)
Interest Paid	(111,551,624)	(42,500,008)	(111,551,624)	(42,500,008)
Other Receipt/ Payment	(999,654)	29,993,602	(999,654)	-
Net Cash from Financing Activities	1,462,441,091	(37,376,838)	1,462,441,091	(67,370,440)
Net Increase (Decrease) in Cash and Cash Equivalents	1,267,998,391	1,594,257,507	1,264,814,278	1,694,464,782

Cash Inflow from Acquired Institution	2,836,456,192		2,836,456,192	
Cash and Cash Equivalents July 17, 2019	6,742,724,913	5,148,467,404	6,740,702,460	5,046,237,676
Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents Held	-	-		-
Cash and Cash Equivalents at July 15, 2020	10,847,179,496	6,742,724,913	10,841,972,930	6,740,702,460

PRAMESH RAJ KAYASTHA
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Director

BIJAYA DHOJ KARKI
Director

As per our report of even date
CA Keshav Kumar Budhathoki
Proprietor
K K Budhathoki & Associates
Chartered Accountants

Date: October 19, 2020
Place: Narayanhiti Path, Kathmandu

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended July 15, 2020 (Ashadh 31, 2077)

PARTICULARS	GROUP										AMOUNT IN NPR	
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP										NON-CONTROLLING INTEREST	TOTAL EQUITY
	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE	REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	OTHER RESERVES	TOTAL		
Balance at July 17, 2012	8,033,236,400	433,526	1,192,300,665	49,775,519	795,430,349	(6,300,000)	343,854,012	117,421,902	474,768,915	11,000,921,288	44,285,592	11,045,206,880
COMPREHENSIVE INCOME FOR THE YEAR												
Profit for the Year	-	-	-	-	-	-	-	1,491,780,965	-	1,491,780,965	12,224,660	1,504,005,625
Other Comprehensive income, Net of Tax	-	-	-	-	-	67,156,958	-	-	(11,046,582)	56,110,376	13,166	56,123,542
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value	-	-	-	-	-	67,156,958	-	-	-	67,156,958	-	-
Gains/ (Losses) on Revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gains/ (Losses) on Defined Benefit Plans	-	-	-	-	-	-	-	-	(11,046,582)	(11,046,582)	13,166	-
Gains/ (Losses) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Gains/ (Losses) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the Year	-	-	-	-	-	67,156,958	-	1,491,780,965	(11,046,582)	1,547,891,341	12,237,826	1,560,129,167
Transfer to Reserve during the Year	-	-	292,643,756	-	47,302,827	-	-	(293,807,342)	(46,139,241)	-	-	-
Transfer from Reserve during the Year	-	-	-	(8,766,181)	(64,995,907)	-	-	80,983,277	(7,217,189)	-	-	-
Transactions with Owners, directly recognised in Equity	-	-	-	-	-	-	-	-	-	-	-	-
Share Issued	46,382,600	46,382,600	-	-	-	-	-	-	-	92,765,200	-	92,765,200
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to Equity Holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares Issued	291,445,773	-	-	-	(291,445,773)	-	-	-	-	-	29,995,800	29,995,800
Cash Dividend Paid	-	-	-	-	-	-	-	(131,356,143)	-	(131,356,143)	-	(131,356,143)
Other	-	-	-	-	-	-	-	2,683,017	159,411	2,842,428	(2,848,826)	(6,398)
Total Contributions by and Distributions	337,828,373	46,382,600	-	-	(291,445,773)	-	-	(128,673,126)	159,411	(35,748,515)	27,146,974	(8,601,541)
Balance at July 16, 2019	8,371,064,773	46,816,126	1,484,944,421	41,009,338	486,287,496	60,856,958	343,854,012	1,267,705,675	410,525,314	12,513,064,114	83,670,387	12,596,734,501
Balance at July 17, 2019	8,371,064,773	46,816,126	1,484,944,421	41,009,338	486,287,496	60,856,958	343,854,012	1,267,705,675	410,525,314	12,513,064,114	83,670,387	12,596,734,501

Comprehensive Income for the Year									477,125				477,125
Adjustment of Previous Year													
Profit for the Year									1,219,083,658			9,143,730	1,228,227,388
Other Comprehensive Income, Net of Tax									-	(17,412,759)		37,044,086	37,044,086
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value								54,456,845					54,456,845
Gains/ (Losses) on Revaluation													
Actuarial Gains/ (Losses) on Defined Benefit Plans										(17,412,759)		(17,412,759)	(17,412,759)
Gains/ (Losses) on Cash Flow Hedge													
Exchange Gains/ (Losses) (arising from translating Financial Assets of Foreign Operation)													
Total Comprehensive Income for the Year	-	-	-	-	-	-	-	54,456,845	-	1,219,083,658	(17,412,759)	1,256,127,744	1,265,271,474
Transfer to Reserve during the Year	-	-	241,909,674	17,897,978	25,607,789	43,905,624	-	-	43,905,624	(436,684,796)	107,363,731	-	-
Transfer from Reserve during the Year	-	-	-	-	(117,134,986)	-	-	-	-	124,006,571	(6,871,585)	-	-
Transactions with Owners, directly recognised in Equity													-
Transferred from Acquired Institute, Business Combination	467,620,574	4,124,402	158,948,970		57,222,209				-	3,620,177		691,536,331	691,536,331
Share Issued	46,816,126	(46,816,126)	-	-	-	-	-	-	-	-	-	-	-
Share Based Payments													-
Dividends to Equity Holders	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares Issued	204,315,817	-	-	-	-	-	-	-	(204,315,817)	-	-	-	-
Cash Dividend Paid	9,089,817,290	-	-	-	-	-	-	-	(1,004,527,773)	-	8,085,289,517	8,085,289,517	
Other	-	-	-	-	-	-	-	-	(2,934,318)	902,542	(2,031,776)	2,336,905	305,129
Total Contributions by and Distributions	9,808,569,807	(42,691,724)	158,948,970	-	57,222,209	-	-	-	(1,211,777,907)	4,522,718	8,774,794,072	2,336,905	8,777,130,977
Balance at July 15, 2020	9,089,817,289	4,124,402	1,885,803,066	58,907,316	451,982,508	115,313,803	387,759,636	962,810,346	498,127,420	13,454,645,785	95,151,017	22,639,614,093	

PARTICULARS	BANK										NON-CONTROLLING INTEREST	TOTAL EQUITY
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK											
	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE	REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	OTHER RESERVES	TOTAL		
Balance at July 17, 2018	8,033,236,400	433,526	1,192,300,665	49,775,519	795,430,349	(6,300,000)	343,854,012	132,228,780	472,952,187	11,013,911,438		
Comprehensive Income for the Year												
Profit for the Year								1,463,218,780		1,463,218,780		
Other Comprehensive Income, Net of Tax						67,156,958			(11,069,574)	56,087,385		
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value						67,156,958				67,156,958		
Gains/ (Losses) on Revaluation												
Actuarial Gains/ (Losses) on Defined Benefit Plans									(11,069,574)	(11,069,574)		
Gains/ (Losses) on Cash Flow Hedge												
Exchange Gains/ (Losses) (arising from translating Financial Assets of Foreign Operation)												
Total Comprehensive Income for the Year	-	-	-	-	-	67,156,958	-	1,463,218,780	(11,069,574)	1,519,306,164		
Transfer to Reserve during the Year			292,643,756	-	47,302,827			(293,807,342)	(46,139,241)	-		
Transfer from Reserve during the Year				(8,766,181)	(64,999,907)			80,983,277	(7,217,189)	-		
Transactions with Owners, directly recognised in Equity										-		
Share Issued	46,382,600	46,382,600								92,765,200		
Share Based Payments										-		
Dividends to Equity Holders										-		
Bonus Shares Issued	291,445,773				(291,445,773)					-		
Cash Dividend Paid							(131,356,143)			(131,356,143)		
Other										-		
Total Contributions by and Distributions	337,828,373	46,382,600	-	-	(291,445,773)	-	-	(131,356,143)	-	(38,590,943)		
Balance at July 16, 2019	8,371,064,773	46,816,126	1,484,944,421	41,009,338	486,287,496	60,856,958	343,854,012	1,251,267,351	408,526,184	12,494,626,660		
Balance at July 17, 2019	8,371,064,773	46,816,126	1,484,944,421	41,009,338	486,287,496	60,856,958	343,854,012	1,251,267,351	408,526,184	12,494,626,660		
Adjustment of Previous Year								477,125		477,125		
Comprehensive Income for the Year												
Profit for the Year								1,198,504,659		1,198,504,659		
Other Comprehensive Income, Net of Tax						54,456,845			(17,353,631)	37,103,214		
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value						54,456,845				54,456,845		
Gains/ (Losses) on Revaluation									(17,353,631)	(17,353,631)		

Actuarial Gains/ (Losses) on Defined Benefit Plans									(17,353,631)	(17,353,631)	
Gains/ (Losses) on Cash Flow Hedge											
Exchange Gains/ (Losses) (arising from translating Financial Assets of Foreign Operation)											
Total Comprehensive Income for the Year									(17,353,631)	1,235,607,873	
Transfer to Reserve during the Year									107,142,857	-	
Transfer from Reserve during the Year									(6,871,585)	-	
Transactions with Owners, directly recognised in Equity											
Transferred from Acquired Institute, Business Combination											
Share Issued									3,620,177	691,536,331	
Share Based Payments										-	
Dividends to Equity Holders										-	
Bonus Shares Issued										-	
Cash Dividend Paid										(1,004,527,773)	
Other										-	
Total Contributions by and Distributions									3,620,177	(312,991,442)	
Balance at July 15, 2020									495,064,002	13,417,720,225	

PRAMESH RAJ KAYASTHA Chief Finance Officer	GANESH RAJ POKHAREL Chief Executive Officer	RAJAN SINGH BHANDARI Chairman	PRAKASH CHANDRA MAINALI Director	BIJAYA DHOJ KARKI Director
SEETA KARKI (K.C.) Director	PRABAL JUNG PANDEY Director	SAJAN SHARMA Director	SUDESH KHALING Director	As per our report of even date CA Keshav Kumar Budhathoki Proprietor K K Budhathoki & Associates Chartered Accountants

Date: October 19, 2020
Place: Narayanhiti Path, Kathmandu

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 15, 2020 (Ashadh 31, 2077)

1. REPORTING ENTITY

Citizens Bank International Limited ('the Bank' or 'CBIL') is a public company incorporated under the Companies Act, 2006 and licensed by Nepal Rastra Bank to conduct Banking transaction as a "A" Class Commercial Bank under the Bank and Financial Institution Act, 2017. The Bank has its Corporate Office at Narayanhiti Path, Kathmandu. The Bank received the license to commence banking operations on April 20, 2007 (Baisakh 07, 2064). The Bank's Equity Shares are listed in Nepal Stock Exchange and are trading under the code "CZBIL". The principal activities of the Bank is to provide all commercial Banking services including agency services, trade finance services, e-commerce services and trading of gold and silver, etc. to its customers through head office, branches, branchless banking units and ATMs.

The Bank acquired two "C" class financial institutions Nepal Housing & Merchant Finance Limited and People's Finance Limited during the fiscal year 2071/72. The Bank started consolidated Banking transaction from May 08, 2015 (Baisakh 25, 2072). Similarly, the Bank has acquired Premier Finance Limited and started the consolidated transaction from July 17, 2016 (Shrawan 02, 2073). During FY 2076-77, the Bank acquired "B" class financial institution "Sahayogi Vikas Bank Limited" and started joint transaction from July 04, 2020 (Ashad 20, 2077).

SUBSIDIARIES

CBIL Capital Limited (the Subsidiary) and CBIL Securities Limited (the Subsidiary) are the subsidiary companies of the Bank.

CBIL Capital Limited was incorporated on January 30, 2006 (Magh 17, 2062) as public company under the Companies Act, 2006. The Bank made an equity investment in CBIL Capital Limited on March 13, 2016 (Falgun 30, 2072). The principal activities of the Subsidiary (CBIL Capital Limited) are to provide merchant/investment banking services that include management of public offerings, portfolio management, underwriting of securities and fund management of mutual fund schemes, depository participant's service under Central Depository Service (CDS) and administration and record keeping of securities of its clients. The Bank as on date holds 58.60% controlling interest in the CBIL Capital Limited.

CBIL Securities Limited was incorporated on June 11, 2019 (Jestha 28, 2076) as public company under the Companies Act, 2006. The Bank made an equity investment in CBIL Securities Limited on July 5, 2019 (Ashadh 20, 2076). The principal activities of the Subsidiary (CBIL Securities Limited) are to provide brokerage service related to securities, margin trading, investment in securities and consultancy to its clients and other related services. The Bank as on date holds 100% controlling interest in the CBIL Securities Limited.

ASSOCIATES

Nepal Electronic Payment Systems Limited (NEPS) and Nepal Clearing House Limited (NCHL) are the associates of the Bank.

NEPS is formulated as a consortium of seven national level commercial Banks, with aim to pool the resources of these Banks together and establish a common platform, which will be more secure, reliable and able to encompass the rapid growth of new technologies in electronic payments. The Bank as on date holds 9.09% of total share capital of the NEPS.

Nepal Clearing House Ltd. (NCHL) is a public limited company established on December 23, 2008 (Mangsir 09, 2065) under the leadership and guidance of Nepal Rastra Bank (The Central Bank of Nepal). It has the equity participation from Nepal Rastra Bank, commercial Banks, development Banks, finance companies and Smart Choice Technologies (SCT), a private card switch operator.

NCHL has the strategic objectives to establish multiple payments, clearing and settlement systems in Nepal with long term objective to establish a national payments gateway to facilitate electronic payments and financial transactions within the country. Electronic Cheque Clearing (NCHL-ECC) and Inter Bank Payment System (NCHL-IPS) are the national payment systems that are currently in operation. The Bank as on date holds 1.97% of total share capital of the NCHL.

The Bank, the Subsidiaries and the Associates are collectively referred to as "the Group".

2. BASIS OF PREPARATION

The financial statements of the Group have been prepared on accrual basis of accounting except the cash flow statement which is prepared, on a cash basis, using the direct method.

The financial statements comprise the Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss and Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the consolidated Statement of Cash Flows and the Notes to the Accounts of the Group and Separate financial statements as stated above of the Bank. The significant accounting policies applied in the preparation of consolidated financial statements are set out below in point number 3. These policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically.

2.1. STATEMENT OF COMPLIANCE

The financial statements of the Group which comprise components mentioned above have been prepared in the financial statements of the Group which comprises components mentioned above have been prepared in accordance with Nepal Financial Reporting Standards (hereafter referred as NFRS) issued by Accounting Standards Board of Nepal, endorsed by the Institute of Chartered Accountants of Nepal and Nepal Rastra Bank and in compliance with the requirements of the Companies Act, 2006 and Generally Accepted Accounting Principles in the Banking industry in Nepal.

The Board of Directors of the Group authorized the financial statement vide its resolution dated October 19, 2020 (Kartik 03, 2077) and recommended for its approval by the Annual General Meeting of the shareholders.

2.2. REPORTING PERIOD

Reporting Period is a period from the first day of Shrawan (mid July) of any year to the last day of Ashadh (mid July) of the next year as per the Nepali calendar.

	Nepali Calendar	English Calendar
Current Year	2076/77	2019/20
Previous Year	2075/76	2018/19
Current Year Period	Shrawan 01, 2076 to Ashadh 31, 2077	July 17, 2019 to July 15, 2020
Previous Year Period	Shrawan 01, 2075 to Ashadh 31, 2076	July 17, 2018 to July 16, 2018

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

The Financial Statements of the Group are presented in Nepalese Rupees (NPR), which is the currency of the primary economic environment in which the Group operates. Financial information is presented in Nepalese Rupees. There was no change in the Group's presentation and functional currency during the year under review. The figures are rounded to nearest integer, except otherwise indicated.

2.4. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENT

The preparation of financial statements requires the management to make estimates and assumptions that are considered while reporting amounts of assets and liabilities (including contingent assets and liabilities) as of the date of the financial statements. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in current and future periods.

Information about assumptions and estimation that have a significant risk of resulting in a material adjustment within the next financial year are:

- Key assumptions used in discounted cash flow projections
- Measurement of defined benefit obligations
- Provisions, commitments and contingencies
- Determination of net realizable value
- Determination of useful life of the property, plant and equipment
- Assessment of the Group's ability to continue as going concern
- Determination of fair value of financial instruments; and property and equipment
- Impairment of financial and non-financial assets
- Assessment of current as well as deferred tax.

2.5. CHANGES IN ACCOUNTING POLICIES

The Group has applied its accounting policies consistently from year to year except for some comparatives have been grouped or regrouped to facilitate comparison, corrections of errors and any changes in accounting policy have been separately disclosed with detail explanation.

2.6. NEW REPORTING STANDARDS ISSUED BUT NOT EFFECTIVE

The Standards issued but not effective upto the date of issuance of Group's Financial Statement is disclosed below:

For the reporting of financial instruments, NAS 32 Financial Instruments Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments – Disclosures have been applied.

NFRS 09 has been complied for the classification of Financial Instruments.

Few carve-outs on applicable Accounting Standards as provided by the Institute of Chartered Accountants of Nepal have been used by the Bank, the quantitative and qualitative impact of the same have been disclosed in detail in Notes to the Accounts.

Further, a number of new standards and amendments to the existing standards and interpretations have been issued by International Accounting Standard Board, after the pronouncements of NFRS with varying effective dates. Those become applicable when Accounting Standard Board of Nepal incorporates them within NFRS.

The Group calculates amortized cost of a financial asset or a financial liability using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of a financial asset or a financial liability to the net carrying amount of the financial asset or liability. If expected life cannot be determined reliably, then the contractual life is used.

In case where the Group assesses that the transaction amount of a financial asset or a financial liability does not represent its fair value, the related future cash flows are discounted at prevailing interest rate to determine the initial fair value.

2.8. PRIOR PERIOD ERRORS

Prior Period Errors are omissions or misstatements in an entity's financial statements. Such omissions may relate to one or more prior periods. Correction of an error is done by calculating the cumulative effect of the change on the financial statements of the period as if new method or estimate had always been used for all the affected prior years' financial statements. Sometimes such changes may not be practicable, in such cases it is applied to the latest period possible by making corresponding adjustment to the opening balance of the period.

2.9. PREVIOUS YEAR'S FIGURES

Previous year's figures have been grouped or regrouped wherever necessary to facilitate comparison.

2.10. MATERIALITY AND AGGREGATION

In compliance with NFRS 1 Presentation of Financial Statements, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions are presented separately, unless they are material.

2.11. GOING CONCERN

The financial statements are prepared on a going concern basis, as the management of the Bank is satisfied that the Bank has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

2.12. NEW STANDARDS AND INTERPRETATION NOT ADOPTED

During the current fiscal year, the Group has not applied the numbers of standards as prescribed in NFRS and used the NFRS carve-out adjustments. As a consequence, the net profit and retained earnings have been impacted.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of financial statements requires the use of certain accounting estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects have been disclosed.

3.1. BASIS OF MEASUREMENT

The financial statements have been prepared on historical cost basis, except for following material items in the Statement of Financial Position:

- Financial assets other than measured at amortized cost are measured at fair value.
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- Derivative financial instruments are measured at fair value.
- Inventories are measured at cost or net realizable value, whichever is lower.
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.
- Investment property is measured at cost.
- Liabilities for cash-settled, share-based-payment arrangements are measured at fair value.
- Investment securities are measured at fair value.
- Trading assets like Bonds, Treasury Bills, Equities, etc. held for trading purpose are measured at fair value.
- Impairment of asset is measured at fair value and related disposal cost.
- Assets acquired & liabilities assumed in a business combination are recognized at fair value.
- Any other requirements or options provided by standards.

3.2. BASIS OF CONSOLIDATION

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity.

In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of income from the date on which control is obtained. They are de-consolidated from the date of control ceases.

The Group's Financial Statements comprise consolidation of the Financial Statements of the Group and its subsidiary in terms of the NFRS 10 Consolidated Financial Statements.

3.2.1. SUBSIDIARIES

Subsidiaries are the entities controlled by the Bank. The Bank controls an entity if it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences, until the date control ceases. The Bank reassesses whether it has control, if there are changes to one or more of the elements of control. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Consolidated Financial Statements are prepared for the common financial year end. There are no significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans and advances. Both of the subsidiaries of the Bank have been incorporated in Nepal.

3.2.2. BUSINESS COMBINATION

Business combinations are accounted for using the acquisition method. As of the acquisition date, the amount of non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share of the acquirer's identifiable net assets. Acquisition related costs are expensed in the periods in which the costs are incurred and the services are received.

The Group elects on a transaction by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition

date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3.2.3. ACQUISITIONS OF NON-CONTROLLING INTERESTS

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore, no goodwill is recognized as a result of such transactions.

3.2.4. LOSS OF CONTROL

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, carrying amount of non-controlling interests and the cumulative translation differences recorded in equity related to the subsidiary. Further parent's share of components previously recognized in Other Comprehensive Income (OCI) is reclassified to profit or loss or retained earnings as appropriate. Any surplus or deficit arising on the loss of control is recognized in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

3.2.5. TRANSACTIONS ELIMINATED ON CONSOLIDATION

All intra group balances, income and expenses (except for foreign currency translation gains or losses) arising from intra group transactions are eliminated on consolidation. Unrealized gains and losses resulting from transactions between the Group and Subsidiary are also eliminated on consolidation to the extent of the Group's interests in the Subsidiary.

3.3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at vault and agency bank accounts balances, unrestricted balances with NRB, highly liquid financial assets with original maturity of 3 months from the date of its acquisition and are readily convertible to cash, which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as financial assets and are measured at amortized cost in the Statement of Financial Position.

Statement of Cash Flows has been prepared by using the 'Direct Method' in accordance with NAS 07 Cash Flow Statements.

3.4. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

3.4.1. RECOGNITION

The Group initially recognizes a financial asset or a financial liability in its Statement of Financial Position when, and only when, it becomes party to the contractual provisions of the instrument. The Group initially recognizes loans and advances, deposits; and debt securities/ subordinated liabilities issued on the date that they are originated, which is the date that the Group becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Group commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date.

3.4.2. CLASSIFICATION

i. Financial Assets

The Group classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The two classes of financial assets are as follows:

1. Financial assets measured at amortized cost

The Group classifies a financial asset measured at amortized cost if both of the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Financial asset measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

a) Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading purpose or are designated at fair value through profit or loss. Upon initial recognition, transaction costs directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

b) Financial assets at fair value through other comprehensive income

Investment in an equity instrument that is not held for trading and at the initial recognition, the Group makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

ii. Financial Liabilities

The Group classifies the financial liabilities as follows:

a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss.

b) Financial liabilities measured at amortized cost

All financial liabilities other than measured at fair value through profit or loss are classified as subsequently measured at amortized cost using effective interest rate method.

3.4.3. MEASUREMENT**Initial Measurement**

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

Subsequent Measurement

A financial asset or financial liability is subsequently measured either at fair value or at amortized cost, based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Financial assets classified at fair value are subsequently measured fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss, whereas of financial assets at fair value through other comprehensive income are recognized in Other Comprehensive Income.

3.4.4. DERECOGNITION**i. Derecognition of financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset, and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized is recognized in Statement of Profit or Loss.

The Group enters into transactions whereby it transfers assets recognized on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them,

then the transferred assets are not derecognized. Transfer of assets with retention of all or substantially all risks and rewards include, for example repurchase transactions.

ii. Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another, from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in Statement of Profit or Loss.

3.4.5. DETERMINATION OF FAIR VALUE

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value measurement hierarchy is as follows:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models, where all significant inputs are observable.

Level 3 portfolios are those where there are unobservable inputs of the instruments. The inputs are not based on observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation), nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but not later than when the valuation is wholly supported by observable market data or the transaction is closed out. In case the fair value is evidenced by a quoted price in an active market for an identical asset or liability (Level 01 valuation), the difference between the transaction price and fair value is recognized in profit or loss immediately.

3.4.6. OFFSETTING

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under NFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.4.7. IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower

or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter Bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In case of financial difficulty of the borrower, the Group considers to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Impairment of financial assets measured at amortized cost

The Group considers evidence of impairment for loans and advances and investment securities measured at amortized cost at both specific asset and collective level. The Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant and that are not individually significant are assessed collectively.

If there is objective evidence on that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

All individually significant loans and advances and investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities with similar risk characteristics.

Impairment of loans and advances portfolios is based on the judgments in past experience of portfolio behavior. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

In case of impairment of financial assets being loans and advances, the impairment loss amount is taken as higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39 as mentioned above as per alternative given in carve out on NAS 39 Para 58.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is recognized in the 'Non Operating Income'.

Impairment of investment in equity instrument classified as fair value through other comprehensive income

Objective evidence of impairment of investment in an equity instrument is a significant or prolonged decline in its fair value below its cost. Impairment losses are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and the current fair value, less any impairment loss recognized previously in profit or loss.

3.5. TRADING ASSETS

Trading assets are those assets that are acquired principally for the purpose of selling in the near term, or held as part of a portfolio that is managed together for short-term profit. It includes non derivative financial assets such as government bonds, NRB bonds, domestic corporate bonds, treasury bills, equities etc. held primarily for the trading purpose. If a trading asset is a debt instrument, it is subject to the same accounting policy applied to financial assets measured at amortized cost. If a trading asset is an equity instrument, it is subject to the same accounting policy applied to financial assets measured at Fair Value Through Profit or Loss.

3.6. DERIVATIVE ASSETS AND DERIVATIVE LIABILITIES

Derivative assets and derivative liabilities create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risk inherent in an underlying primary financial instrument. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract.

The value of a derivative changes with the change in value of the underlying. Examples of derivative are forward, futures, options or swap contracts. The underlying could be specified interest rate, security price, commodity price, exchange rate, price index, etc.

Derivative financial instruments meet the definition of a financial instrument and are accounted for as derivative financial asset or derivative financial liability measured at FVTPL and corresponding fair value changes are recognized in profit or loss. The Group has not designated derivative as a hedging instrument in an eligible hedging relationship under NFRS 9 – “Financial Instrument” and has not applied hedge accounting.

3.7. FOREIGN CURRENCY

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date and all differences arising on non trading activities are taken to ‘other operating income’ in the Statement of Profit or Loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date on which the fair value is determined.

Foreign currency differences arising on retranslation are recognized in the Statement of Profit or Loss.

At the annual closing, if the revaluation loss is reported, the same is charged to Statement of Profit or Loss and if revaluation profit is reported, such amount is shown as income in Statement of Profit or Loss and 25 percent of such profit is appropriated to Exchange Fluctuation Reserve through Statement of Changes in Equity, as required by Bank and Financial Institution Act, 2017.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Forward exchange contracts are valued at the forward market rates ruling on the reporting date and resulting net unrealized gains or losses are dealt with in the Statement of Profit or Loss.

3.8. PROPERTY AND EQUIPMENT

a) Recognition and Measurement

Property and Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be reliably measured. The cost includes expenditures that are directly attributable to the acquisition of the assets. Cost of self constructed assets includes followings:

- Cost of materials and direct labor;
- Any other cost directly attributable to bringing the assets to the working condition for their intended use; and
- Capitalized borrowing cost

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the entity. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred.

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss, if any.

Neither class of the property and equipment has been measured as per revaluation model, nor is their fair value measured at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognized in 'Other comprehensive income' and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognized as income to the extent of previous write down. Any decrease in the carrying amount is recognized as an expense in the Statement of Profit or Loss or debited to the Other Comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognized in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

b) Capital work in progress

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings and system development, awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

c) Depreciation

Property and equipment are depreciated from the date they are available for use on property on straight-line method over estimated useful lives as determined by the Management. Depreciation is recognized in profit or loss. Leased assets under the finance lease are depreciation over the shorter of the lease term and their useful life. Land is not depreciated. Charging of depreciation is ceased from the earlier of the date from which the asset is classified as held for sale or is derecognized.

The estimated useful lives of significant items of property and equipment for current year and comparative periods are as follows:

CLASS OF ASSETS	USEFUL LIFE	RATE OF DEPRECIATION
Building	20 years	5%
Metal Furniture	6 years	16.67%
Wooden Furniture	5 years	20%
Office Vehicles	7 years	14.29%
Computer (including Printer)	4 years	25%
Office Equipments	5 years	20%

The expenses of leasehold improvements are amortized over the lease period or a maximum of 10 year period, whichever is lower.

The capitalized value of software purchase and installation costs are amortized over a maximum 5 year period or within the ownership period.

Assets costing less than NPR 5,000 are fully depreciated in the year of purchase. For assets purchased/ sold during the year, depreciation is provided up to the date of use on pro-rata basis.

Depreciation method, useful lives and residual value are reviewed at each reporting date and adjusted, if any.

d) De-recognition

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property and equipment is included in the Statement of Profit or Loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

Any gain or losses on de-recognition of an item of property and equipment is recognized in profit or loss.

3.9. INTANGIBLE ASSETS

The intangible assets include software purchased by the Group. Software is measured at cost less accumulated amortization and accumulated impairment loss if any. Software is amortized on a straight line basis in profit or loss over its useful life, from the date that is available for use. The estimated useful life of software for the current and comparative period is five years. Amortization method, useful lives and residual value are reviewed at each reporting

date and adjusted if any.

The goodwill is initially measured at the difference between the purchase consideration given and the fair value of net assets acquired. Subsequent to the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is presented with intangible assets.

Recognition

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognized as an expense by the Group in previous annual Financial Statements or interim Financial Statements are not recognized as part of the cost of an intangible asset at a later date.

Computer Software & Licenses

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent Expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Goodwill is measured at cost less accumulated impairment losses.

Amortization of Intangible Assets

Intangible assets, except for goodwill, are amortized on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life, based on a pattern in which the asset's economic benefits are consumed by the Group. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted, if appropriate. The Group assumes that there is no residual value for its intangible assets.

De-recognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising on de-recognition of an item of intangible assets is included in the Statement of Profit or Loss when the item is derecognized.

3.10. INVESTMENT PROPERTY

Investment property is the land or building or both, held either for rental income or for capital appreciation or for both, but not for sale in ordinary course of business and owner occupied property. The Group holds investment property that has been acquired through the enforcement of security over the Loan and Advances.

Investment property is measured at cost. The panchakrit value of the property that has been acquired through the enforcement of security over the loans and advances have been considered as the cost of the property.

Investment properties are derecognized when they are disposed off, or permanently withdrawn from use, since no future economic benefits are expected. Any gain or loss on disposal of an investment property is recognized in profit or loss. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent reporting.

3.11. INCOME TAX

Income Tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent they relate to the items recognized directly in equity or in other comprehensive income.

a) Current Tax

Current tax is the tax payable or receivable on the taxable income or loss for the year using tax rates that are enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years.

b) Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amount and tax base of assets

and liabilities; and carry forward of unused tax losses. Deferred tax is measured at the tax rate that is expected to be applied to temporary differences when they reverse, using tax rate enacted or substantially enacted at the reporting date. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which it can be utilized. Deferred tax assets are reviewed at each reporting date and appropriately adjusted to reflect the amount that is reasonably/ virtually certain to be realized.

Deferred tax asset and deferred tax liabilities are offset if all of the following conditions met:

- a) if there is a legally enforceable right to offset the current tax liabilities and assets;
- b) the taxes are levied by the same authority on the same tax entity; and
- c) the entity intends to settle the current tax liabilities and assets on net basis or the tax assets and liabilities will be realized simultaneously.

3.12. PROVISIONS AND CONTINGENT ASSETS/ LIABILITIES

The Group recognizes a provision if, as a result of past event, the Group has a present constructive or legal obligation that can be reliably measured and it is probable than an outflow of economic benefit will be required to settle the obligation. A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

A provision for onerous contract is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

Liabilities on account of derivative contracts are reported under Contingent Liabilities, under sub-heading Outstanding Liabilities for Forward Exchange Contract. These include notional principal on outstanding forward rate agreements. The Forward Exchange Contract is marked to market and resulting difference is recognized in Statement of Profit or Loss. The difference payable/ receivable that arises at the time settlement of Forward Exchange Contract is recognized at the time of settlement.

3.13. DEPOSITS, DEBT SECURITIES ISSUED AND SUBORDINATED LIABILITIES

Deposits, debt securities issued and subordinated liabilities are the Group's sources of debt funding.

Deposits comprise of financial liabilities incurred by the Group on account of deposit amount held of the customers and other Banks and Financial Institutions.

Debt securities issued are financial liabilities instrument issued to raise fund for the Group.

Subordinated Liabilities are debt instruments issued by under the conditions of subordinate priority relative to other liabilities incurred by the Group.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs and subsequently measured at their amortized cost using the effective interest method.

3.14. REVENUE RECOGNITION

Revenue comprises of interest income, fees and commission, foreign exchange income, cards income, disposal income, etc. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The bases of incomes recognition are as below:

a) Interest income

As per the requirement of NFRS, interest income is recognized in profit or loss using effective interest method, except for those classified at fair value through profit or loss. Effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial asset or liability to the carrying amount of the asset or liability. The effective interest rate is calculated on initial recognition of the financial asset or liability by estimating the future cash flows after considering all the contractual terms of the

instrument but not future credit losses. The calculation of effective interest rate includes all transactions cost and fee and points paid or received that are integral part of the effective interest. The transactions cost and fees and points that are not material ie. below or equal to 1% of financial asset or liability and for financial asset or liability with tenure of upto 1 year have been recognized directly in Statement of Profit or Loss and not considered in the calculation of effective interest rate. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of financial assets.

Interest income presented in Statement of Profit or Loss includes:

- Interest income on financial assets measured at amortized cost calculated on an effective interest rate method, except for loans and advances. These financial assets include investment in government securities, investment in corporate bonds, investment in NRB Bond and deposit instruments, reverse repos, inter bank lending, etc.

As per carve out on NAS 39 Para 9, the Group has not included the fees and points paid or received in loans and advances that are immaterial or impracticable to determine reliably the effective interest rate and have recognized them directly as revenue in the Statement of Profit or Loss.

Similarly, as per carve out on NAS 39 AG 93, the Bank has applied the effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

- Interest on investment securities measured at fair value is calculated on effective interest rate.
- Income on discounted instruments like bills purchased, documents negotiation is recognized over the period of discounting on accrual basis using effective interest rate.

Interest income on all trading assets are considered to be incidental to the Group's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. In some cases, this may not be probable until the consideration is received or until an uncertainty is removed.

Interest income on Loans and Advances is recognized as per the Guideline on Recognition of Interest Income, 2019 issued by NRB.

b) Fees and Commission

Fees and commission income that are integral to the effective interest rate on a financial asset are included in measurement of effective interest rate. Other fees and commission income including management fee, service charges, syndication fee, forex transaction commission, commission of issue of letter of credit and guarantee are recognized as the related services are performed. When the loan commitment is not utilized to the extent of approved limit, the related commitment fees are recognized on undrawn amount on straight line basis over the period of commitment. Following bases are adopted for recognition of fees and commission:

- Commission on guarantees issued by the Group is recognized as income over the period of the guarantee, except for guarantee commission not exceeding NPR 10 thousand, which is recognized at the time of its issue.
- Commission on sight Letters of Credit (LC) issued by the Group is recognized as income, at the time of issue of the LC, whereas income from time LC is recognized over its period on accrual basis.
- Other fees and commission income are recognized on accrual basis.

c) Dividend Income

Dividend on investment in resident company is recognized when the right to receive payment is established. Dividend income are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity instruments.

d) Net Trading Income

Trading income/ loss is recognized for all realized interest, dividend and foreign exchange differences including any unrealized changes in fair value of trading assets and liabilities. The trading income and loss are netted off and disclosed separately in Statement of Profit or Loss.

e) Net income from other financial instruments at fair value through profit or losses

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management

purposes that do not form part of qualifying hedge relationships, financial assets and financial liabilities designated as at FVTPL and non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

3.15. INTEREST EXPENSE

Interest expense on all financial liabilities including deposits are recognized in profit or loss using effective interest rate method. Interest expense on all trading liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

3.16. EMPLOYEE BENEFITS

a) Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under bonus required by the Bonus Act, 1973 to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

Short-term employee benefits include all the following items (if payable within 12 months after the end of the reporting period):

- wages, salaries and social security contributions;
- profit-sharing and bonuses; and
- non-monetary benefits

b) Post Employment Benefit Plan

Post employment benefit plan includes followings:

i. Defined Contribution Plan

A defined contribution plan is a post employment benefit plan under which an entity pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution plans are recognized as personnel expense in profit or loss in the periods during which the related service are rendered by employees. Prepaid contributions are recognized as an asset to the extent that cash refund or reduction in future payments is available. Contributions to a defined contribution plan being due for more than 12 months after the end of the period in which the employee render the service are discounted at their present value. The following are the defined contribution plan provided by the Group to its employees:

• Employees Provident Fund

In accordance with law, all employees of the Group are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Group contribute monthly at a pre determined rate (currently, 10% of the basic salary plus grades). Group does not assume any future liability for provident fund benefits other than its annual contribution.

ii. Defined Benefit Plan

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds, that have maturity dates approximating the terms of the Group's obligation and that are denominated in the currency in which the benefits are expected to be paid. The calculation of obligation is performed annually by a qualified actuary using projected unit credit method.

The Group recognizes all re-measurement gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in profit or loss.

Gratuity is the defined benefit plans provided by the Group to its employees:

• Gratuity

Group provides for gratuity on actuarial basis covering eligible employees joining prior to August 17, 2017 (Bhadra 01, 2074) and on accrual basis covering employees joining on or after August 17, 2017 (Bhadra 01, 2074) as per terms of Employee Service Byelaws of the Group.

c) Other Long Term Employee Benefits

Other long term employee benefits include benefits that are not expected to be settled wholly before twelve months after end of the fiscal year in which employees render the related service.

The Group recognizes all re-measurement gains and losses including all service cost and interest cost related to other long term employee benefits are expensed in profit or loss account.

The Sick and Home Leave are the other long term employee benefit plans provided by the Group to its employees:

- *Leave Salary*

The employees of the Group are entitled to carry forward a part of their unavailed/ unutilized leave subject to a maximum limit. The employees can encash unavailed/ unutilized leave partially in terms of Employee Service Byelaws of the Group. The Group accounts for the liability for entire accumulated outstanding leave balance on actuarial basis.

d) Termination Benefits

Termination benefits are recognized as expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal plan to provide termination benefits to employees as a result of an offer made to encourage voluntary redundancy. Termination benefits are recognized if the Group has made an offer for voluntary redundancy, it is probable that the offer will be accepted and the number of acceptance can be measured reliably. If the benefits are payable in more than 12 months after the reporting date, they are discounted to their present value.

3.17. LEASED ASSETS:

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance Lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance lease. When group is the lessor under finance lease, the amounts due under the leases, after deduction of unearned interest income, are included in 'Loans to & receivables from other customers', as appropriate. Interest income receivable is recognized in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the Group is a lessee under finance leases, the leased assets are capitalized and included in 'Property, plant and equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognized initially at the fair value of the asset or if lower, the present value of the minimum lease payments. Finance charges payable are recognized in 'Interest expenses' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

Operating Lease

All other leases are classified as operating leases. When acting as lessor, the Group includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

When the Group is the lessee, leased assets are not recognized on the Statement of Financial Position.

Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'Other operating expenses' and 'Other operating income', respectively.

Payments made under operating lease are recognized in profit or loss on straight line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance lease are apportioned between the finance expense and reduction of outstanding liabilities. The finance expense is allocated to each period during the lease term so as to produce the constant periodic rate of interest on the remaining balance of liabilities.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.18. FINANCIAL GUARANTEES AND LOAN COMMITMENTS

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees and loan commitments are disclosed as contingent liabilities and not recorded in Statement of Financial Position. Liabilities arising from financial guarantees and loan commitments are settled and included in loans and advances as receivables from debtors (borrowers).

3.19. SHARE CAPITAL AND RESERVES

a) Share Capital

The Group classifies the capital instruments as equity instruments or financial liabilities in accordance with the substance with the contractual terms of the instruments. Equity is defined as residual interest in total assets of an entity after deducting all its liabilities. Common shares are classified as equity of the Group and distributions thereon are presented in statement of changes in equity.

The Group is required to maintain the capital adequacy ratio imposed by the regulator. The ratio is fixed at 11% for current year and the Group has maintained the required ratio.

b) Share Issue Costs

Incremental costs directly attributable to issue of an equity instrument are deducted from the initial measurement of the equity instruments.

3.20. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.21. SEGMENT REPORTING

The Group has identified the reportable segment as the business activities from which it earns revenues and incurs expenses whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance.

The Bank comprises Banking, Treasury, Cards and Remittance as major business segments on the nature of products and services of the Bank. All transactions between segments are conducted on pre-determined transfer price with Corporate Office. Treasury Department acts as the fund manager of the Bank.

Segment results that have been reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The income, expenses, assets & liabilities that cannot be allocated to segments identified or those related to corporate office are unallocated. Unallocated items comprise mainly corporate assets (primarily the Bank's corporate building), head office expenses and tax assets and liabilities that are categorized as the Banking.

3.22. NON CURRENT ASSETS HELD FOR SALE

Non current assets (or disposal groups) are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortized while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognized as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in profit or loss.

3.23. IMPAIRMENT OF NON FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value of the Cash Generating Unit's (CGU) less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, in determining fair value less costs to sell, an appropriate valuation model is used.

3.24. EVENTS AFTER THE REPORTING PERIOD

Where necessary all material events after the reporting date have been considered and appropriate adjustments or disclosures have been made in the Financial Statements, as per the NAS 10 Events After the Reporting Period.

ANNEXURES TO THE FINANCIAL STATEMENTS

As at July 15, 2020 (Ashadh 31, 2077)

CASH AND CASH EQUIVALENTS

4.1

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash in Hand	3,067,609,317	2,236,939,153	3,062,402,749	2,234,916,700
Balances with B/FIs	1,476,217,165	910,949,175	1,476,217,165	910,949,175
Money at Call and Short Notice	1,305,994,168	1,358,779,393	1,305,994,168	1,358,779,393
Other*	4,997,358,847	2,236,057,192	4,997,358,847	2,236,057,192
Total	10,847,179,498	6,742,724,913	10,841,972,930	6,740,702,460

* Other Cash and cash equivalents includes bank balance held with Nepal Rasta Bank over and above the statutory Cash Reserve Ratio requirement.

DUE FROM NEPAL RASTRA BANK

4.2

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory Balances with NRB	2,430,001,128	2,596,966,889	2,430,001,128	2,596,966,889
Securities purchased under Resale Agreement	-	-	-	-
Other deposit and receivable from NRB	-	-	-	-
Total	2,430,001,128	2,596,966,889	2,430,001,128	2,596,966,889

PLACEMENT WITH BANK AND FINANCIAL INSTITUTIONS

4.3

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Placement with Domestic B/FIs	-	-	-	-
Placement with Foreign B/FIs	302,681,924	394,769,893	302,681,924	394,769,893
Less: Allowances for Impairment	-	-	-	-
Total	302,681,924	394,769,893	302,681,924	394,769,893

DERIVATIVE FINANCIAL INSTRUMENTS

4.4

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Held for Trading				
Interest Rate Swap	-	-	-	-
Currency Swap	-	-	-	-
Forward Exchange Contract	1,029,497	44,104,432	1,029,497	44,104,432
Others	-	-	-	-
Held for Risk Management				
Interest Rate Swap	-	-	-	-
Currency Swap	-	-	-	-
Forward Exchange Contract	-	-	-	-
Others	-	-	-	-
Total	1,029,497	44,104,432	1,029,497	44,104,432

OTHER TRADING ASSETS

4.5

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Treasury Bills	-	-	-	-
Government Bonds	-	-	-	-
NRB Bonds	-	-	-	-
Domestic Corporate Bonds	-	-	-	-
Equities	136,722,818	149,295,455	90,486,668	63,068,595
Other	137,355	504,184,884	137,355	504,184,884
Total	136,860,173	653,480,338	90,624,023	567,253,479
Pledged				
Non-Pledged	136,860,173	653,480,338	90,624,023	567,253,479

Note: Other includes gold and silver in vault of the bank.

Amount in NPR

PARTICULARS	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
1. Investment in quoted equity of the Bank								
1.1 Soaltee Hotel Ltd								
162.15 equity shares (including 60.7 bonus shares) of Rs 10 each.	44,498	24,971	44,498	34,404	44,498	24,971	44,498	34,404
1.2 Nepal Life Insurance Co. Ltd.								
100.69 equity share (including bonus shares) of Rs 100 each	1,206,962	1,260,874	4,090,908	3,379,375	1,206,962	1,260,874	4,090,908	3,379,375
1.3 Asian Life Insurance Co. Limited								
0.72 equity shares (including bonus shares) of Rs 100 each	462	437	8,963,033	5,352,318	462	437	8,963,033	5,352,318
1.4 National Life Insurance Co. Ltd.								
0.073 equity shares (including bonus shares) of Rs 100 each	79	48	3,419,905	1,800,700	79	48	3,419,905	1,800,700
1.5 Shikhar Insurance Co. Ltd.								
0.41 equity shares (including bonus shares) of Rs 100 each	-	-	4,464,694	2,043,150	-	-	4,464,694	2,043,150
1.6 Neco Insurance Co. Ltd.								
0.41 equity shares (including bonus shares) of Rs 100 each	0	252	1,974,022	1,494,464	0.09	252	1,974,022	1,494,464
1.7 Prabhu Insurance Ltd.								
10.78 equity shares (including bonus shares) of Rs 100 each	684	5,120	279,974	1,529,070	684	5,120	279,974	1,529,070
1.8 Siddhartha Insurance Ltd.								
1271.43 equity share (including bonus shares) of Rs 100 each	1,105,094	737,431	8,194,454	4,314,507	1,105,094	737,431	8,194,454	4,314,507
1.9 Prudential Insurance Co. Ltd.								
1.88 equity shares (including 0.88 bonus shares) of Rs 100 each	999	927	6,752,963	3,669,593	999	927	6,752,963	3,669,593
1.10 Life Insurance Co. Nepal								
0.62 bonus shares	10	828	14,935	1,143,088	10	828	14,935	1,143,088
1.11 Premier Insurance Co. Ltd.								
1,383.71 equity shares of Rs 100 each	1,140,413	852,368	2,481,039	1,484,070	1,140,413	852,368	2,481,039	1,484,070
1.12 NLG Insurance Company Ltd.								
1,110 equity shares of Rs 100 each	111,000	729,270	2,239,795	1,409,700	111,000	729,270	2,239,795	1,409,700
1.13 Lumbini General Insurance Co. Ltd.								
2.16 equity shares (including 0.16 bonus shares) of Rs 100 each	1,344	980	1,244	430	1,344	980	1,244	430
1.14 Chilime Hydropower Company Limited								
0.88 equity shares (including 0.88 bonus shares) of Rs 100 each	-	351	-	582,600	-	351	-	582,600
1.15 Ridi Hydropower Development Company Ltd.								
2,208.44 equity shares (including 433 bonus shares) of Rs 100 each	748,818	185,509	752,886	190,323	748,818	185,509	752,886	190,323

1.16 Chhimek Laghubitta Bikas Bank Limited 59.98 equity shares (including bonus shares) of Rs 100 each	53,537	65,377	246,339	206,248	53,537	65,377	246,339	206,248
1.17 First MicroFinance Laghubitta Bittya Sanstha Limited 0.89 equity shares (including bonus shares) of Rs 100 each	471	492	2,223,465	1,342,592	471	492	2,223,465	1,342,592
1.18 Deprosc Laghubitta Bittya Sanstha Limited 1.30 equity shares (including bonus shares) of Rs 100 each	924	1,126	3,034,592	2,369,604	924	1,126	3,034,592	2,369,604
1.19 Swabalamban Laghubitta Bittya Sanstha Limited 0.63 equity shares (including bonus shares) of Rs 100 each	665	777	1,027,468	675,938	665	777	1,027,468	675,938
1.20 Nerude Laghubitta Bittya Sanstha Limited 119.35 equity shares (including bonus shares) of Rs 100 each	1,804	151,705	13,831	624,278	1,804	151,705	13,831	624,278
1.21 Sana Kisan Bikas Bank Ltd 330.92 equity shares (including bonus shares) of Rs 100 each	274,333	430,524	1,277,431	1,147,969	274,333	430,524	1,277,431	1,147,969
1.22 Nirdhan Uttthan Laghubitta Bittya Sanstha Limited 500.55 equity shares (including bonus shares) of Rs 100 each	419,982	508,058	2,099,744	1,683,716	419,982	508,058	2,099,744	1,683,716
1.23 NMB Hybrid Fund L-1 315,480 units of Rs 10 each	3,154,800	2,997,060	3,154,800	3,164,264	3,154,800	2,997,060	3,154,800	3,164,264
1.24 Nabil Equity Fund 225,299 units of Rs 10 each	2,252,990	2,102,040	2,252,990	2,102,040	2,252,990	2,102,040	2,252,990	2,102,040
1.25 NIBL Pragati Fund 342,480 units of Rs 10 each	3,424,800	2,791,212	3,424,800	2,548,051	3,424,800	2,791,212	3,424,800	2,548,051
1.26 Laxmi equity fund (A) 292,478 units of Rs 10 each	2,924,780	2,565,032	2,924,780	2,231,607	2,924,780	2,565,032	2,924,780	2,231,607
1.27 Siddhartha Equity Fund 780,000 units of Rs 10 each	7,800,000	7,800,000	8,000,000	8,072,000	7,800,000	7,800,000	8,000,000	8,072,000
1.28 Sanima Equity Fund 200,000 units of Rs 10 each	2,000,000	1,986,000	2,000,000	1,880,000	2,000,000	1,986,000	2,000,000	1,880,000
1.29 Nabil Balance Fund 100,000 units of Rs 10 each	1,000,000	990,000	1,000,000	1,000,000	1,000,000	990,000	1,000,000	1,000,000
1.30 Siddhartha Investment Growth Scheme 2 5,000,000 units of Rs 10 each	50,000,000	50,000,000	-	-	50,000,000	50,000,000	-	-
1.31 NMB 50 200,000 units of Rs 10 each	2,000,000	2,000,000	-	-	2,000,000	2,000,000	-	-
1.32 Sunrise First Mutual Fund 500,000 units of Rs 10 each	5,000,000	5,000,000	-	-	5,000,000	5,000,000	-	-
1.33 Prabhu Insurance Ltd.-Promoter 30,728 equity shares (including 7,152 bonus shares) of Rs 100 each	1,702,967	7,297,900	1,702,967	5,592,496	1,702,967	7,297,900	1,702,967	5,592,496

2. Investment in Quoted Equity of the Subsidiary

2.1 Century Commercial Bank Ltd	595	825	595	885		
5 equity shares (including bonus shares) of Rs 100 each.						
2.2 Civil Bank Ltd.	328,717	227,404	328,717	258,488		
1,636 equity shares of Rs 100 each.						
2.3 Laxmi Bank Ltd	6,077	1,463	6,077	1,582		
7 equity shares of Rs 100 each.						
2.4 Nepal Bank Ltd	130,481	133,464	130,480	156,576		
536 equity shares of Rs 100 each.						
2.5 Nepal Investment Bank Ltd	2	2,155	2	2,595		
5 equity shares of Rs 100 each.						
2.6 NIC ASIA Bank Ltd	2	1,659	2	1,344		
3 equity shares of Rs. 100 each						
2.7 Prime Commercial Bank Ltd	5,757	40,035	0	556		
157 equity shares of Rs 100 each.						
2.8 Standard Chartered Bank Nepal Ltd	867	645	867	682		
1 equity shares of Rs 100 each.						
2.9 Prime Commercial Bank Ltd	-	-	5,756	33,796		
2.10 Soaltee Hotel Limited	3,432	2,310	3,431	3,172		
15 equity shares of Rs 100 each.						
2.11 API Hydropower Limited	27,148	4,644	27,147	5,863		
43 equity shares of Rs 100 each.						
2.12 Khanikhola Hydropower Company Limited	1,600	784	1,600	1,056		
16 equity shares of Rs 100 each.						
2.13 Universal Power Company Limited	2,890	700	2,890	890		
10 equity shares of Rs. 100 each						
2.14 Ridi Hydropower Company Limited	1	1,260	1	1,350		
15 equity shares (including bonus shares) of Rs 100 each.						
2.15 Life Insurance Co. (Nepal) Ltd.	639,602	582,540	11,379,946	9,273,600		
438 equity shares of Rs 100 each.						
2.16 National Life Insurance Co. Ltd	103,726	66,200	9,584,280	5,273,775		
100 equity shares of Rs 100 each.						
2.17 Nepal Life Insurance Co. Ltd	493,805	505,260	16,443,327	12,031,053		
10,682 equity shares of Rs 100 each.						

2.18 Prudential Insurance Company Ltd. 2000 equity shares of Rs 100 each.	-	-	582,800	521,700		
2.19 Surya Life Insurance Company Limited 590 equity shares (including bonus shares) of Rs 100 each.	-	-	4,694	32,376		
2.20 Chhimek Laghubitta Bikas Bank Ltd 259 equity shares of Rs 100 each.	62,364	282,310	62,363	193,800		
2.21 Swabalanban Laghubitta Bittiya Sanstha Ltd 9 equity shares of Rs 100 each.	3	11,097	2	6,125		
2.22 Shivam Cements Ltd 10 equity shares of Rs. 100 each	4,640	5,980	4,640	6,080		
2.23 Laxmi Value Fund 1	-	-	40,035	38,536		
2.24 Nabil Equity Fund 210,777 equity shares of Rs 10 each.	2,146,542	1,966,549	2,146,542	1,966,549		
2.25 NIBL Pragati Fund 74,163 units of Rs 10 each.	605,912	604,429	605,912	551,773		
2.26 NIBL Samriddhi Fund 1 192,279 units of Rs 100 each.	2,065,888	1,903,562	2,065,888	1,780,504		
2.27 NMBHF-1 293,250 units of Rs 10 each.	2,924,216	2,785,875	2,924,216	2,941,298		
2.28 NMB Suval Investment Fund 1 746,911 units of Rs 100 each.	-	-	8,566,487	8,081,577		
2.29 Sanima Equity Fund 50,000 units of Rs 10 each.	500,000	496,500	500,000	470,000		
2.30 Siddhartha Equity Fund 50,000 units of Rs 10 each.	474,000	500,000	474,000	504,500		
2.31 Siddhartha Equity Oriented Scheme 2.32 Nabil Balance Fund-II 250,000 Units of Rs 10 each	-	-	6,745,745	6,051,280		
2.33 Citizens Mutual Fund-II 3,253,350 Units of Rs 10 each	2,500,000	2,475,000	2,500,000	2,500,000		
	32,533,500	32,533,500	32,533,500	32,533,500		
3. Investment in Unquoted Equity						
3.1 Banking Finance & Insurance Institute of Nepal- Pro 11,000 equity shares of Rs 10 each.	1,000,000	1,100,000	1,000,000	1,000,000		
Total	132,934,183	136,722,818	176,729,500	149,295,455	86,372,416	78,057,557
					90,486,668	63,068,595

LOANS AND ADVANCES TO B/FIS

4.6

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loans to Microfinance Institutions	1,549,599,543	1,597,877,970	1,549,599,543	1,597,877,970
Other	-	-	-	-
Less: Allowances for Impairment	15,495,995	15,978,780	15,495,995	15,978,780
Total	1,534,103,548	1,581,899,190	1,534,103,548	1,581,899,190

4.6.1 : ALLOWANCES FOR IMPAIRMENT

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Balance at July 17, 2019	15,978,780	14,349,962	15,978,780	14,349,962
Impairment Loss for the Year:				
Charge for the Year	-	1,628,818	-	1,628,818
Recoveries/ Reversal	(857,330)	-	(857,330)	-
Amount written off	-	-	-	-
Other Movement*	374,545	-	374,545	-
Balance at July 15, 2020	15,495,995	15,978,780	15,495,995	15,978,780

* Other movement includes the amount of impairment of acquired institution, Erstwhile Sahayogi Vikas Bank Limited till 19 Ashad 2077

LOANS AND ADVANCES TO CUSTOMERS

4.7

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan and Advances Measured at Amortized Cost	81,009,783,197	64,201,996,123	81,009,783,197	64,201,996,123
Less: Impairment Allowances				
Collective Impairment	693,659,804	602,363,785	693,659,804	602,363,785
Individual Impairment	1,339,728,148	687,661,853	1,339,728,148	687,661,853
Net amount	78,976,395,245	62,911,970,484	78,976,395,245	62,911,970,484
Loan and Advances Measured at FVTPL	-	-	-	-
Total	78,976,395,245	62,911,970,484	78,976,395,245	62,911,970,484

4.7.1 : ANALYSIS OF LOANS AND ADVANCES - BY PRODUCT

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Product				
Term loans	21,673,551,704	14,608,398,618	21,673,551,704	14,608,398,618
Overdraft	13,904,949,271	9,984,013,464	13,904,949,271	9,984,013,464
Trust Receipt/ Import Loans	2,541,472,379	2,228,681,804	2,541,472,379	2,228,681,804
Demand and Other Working Capital Loans	12,183,621,524	8,963,052,494	12,183,621,524	8,963,052,494
Personal Residential Loans	5,947,116,407	4,978,206,779	5,947,116,407	4,978,206,779
Real Estate Loans	5,198,579,522	5,596,282,652	5,198,579,522	5,596,282,652
Margin Lending Loans	3,038,789,635	2,781,670,229	3,038,789,635	2,781,670,229
Hire Purchase Loans	5,758,693,523	6,050,873,796	5,758,693,523	6,050,873,796
Deprived Sector Loans	2,765,506,855	1,877,073,310	2,765,506,855	1,877,073,310
Bills Purchased	25,900,000	111,138,540	25,900,000	111,138,540
Staff Loans	557,016,476	470,725,955	557,016,476	470,725,955
Other	6,695,613,900	6,295,152,145	6,695,613,900	6,295,152,145
Sub total	80,290,811,196	63,945,269,786	80,290,811,196	63,945,269,786
Interest Receivable	718,972,002	256,726,336	718,972,002	256,726,336
Grand total	81,009,783,198	64,201,996,123	81,009,783,198	64,201,996,123

4.7.2 : ANALYSIS OF LOANS AND ADVANCES - BY CURRENCY

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese Rupee	80,678,936,624	63,908,243,365	80,678,936,624	63,908,243,365
Indian Rupee	-	-	-	-
United State Dollar	330,846,573	293,752,758	330,846,573	293,752,758
Great Britain Pound	-	-	-	-
Euro	-	-	-	-
Japanese Yen	-	-	-	-
Chinese Yuan	-	-	-	-
Other	-	-	-	-
Total	81,009,783,198	64,201,996,123	81,009,783,198	64,201,996,123

4.7.3 : ANALYSIS OF LOANS AND ADVANCES - BY COLLATERAL

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Secured				
Movable/ Immovable Assets	67,572,530,763	51,618,637,594	67,572,530,763	51,618,637,594
Gold and Silver	483,366,419	1,182,150,006	483,366,419	1,182,150,006
Guarantee of Domestic B/FIs	-	-	-	-
Government Guarantee	-	-	-	-
Guarantee of International Rated Bank	-	-	-	-
Collateral of Export Document	2,511,557,574	6,292,784,923	2,511,557,574	6,292,784,923
Collateral of Fixed Deposit Receipt	349,277,385	599,072,316	349,277,385	599,072,316
Collateral of Government Securities	-	-	-	-
Counter Guarantee	-	-	-	-
Personal Guarantee	109,836,111	83,453,636	109,836,111	83,453,636
Other Collateral	9,938,975,672	4,380,321,177	9,938,975,672	4,380,321,177
Sub total	80,965,543,925	64,156,419,652	80,965,543,925	64,156,419,652
Unsecured	44,239,273	45,576,471	44,239,273	45,576,471
Grand total	81,009,783,198	64,201,996,123	81,009,783,198	64,201,996,123

4.7.4 : ALLOWANCES FOR IMPAIRMENT

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Specific Allowances for Impairment				
Balance at July 17, 2019	687,661,853	902,505,845	687,661,853	902,505,845
Impairment Loss for the Year:	-	-	-	-
Charge for the Year	620,299,569	-	620,299,569	-
Recoveries/ Reversal during the Year	-	(214,843,992)	-	(214,843,992)
Write-offs	-	-	-	-
Exchange Rate variance on Foreign Currency Impairment	-	-	-	-
Other Movement	31,766,726	-	31,766,726	-
Balance at July 15, 2020	1,339,728,148	687,661,853	1,339,728,148	687,661,853
Collective Allowances for Impairment				
Balance at July 17, 2019	602,363,785	529,066,089	602,363,785	529,066,089
Impairment Loss for the Year:	-	73,297,696	-	73,297,696
Charge/ (Reversal) for the Year	20,691,019	-	20,691,019	-
Exchange Rate variance on Foreign Currency Impairment	-	-	-	-
Other Movement	70,605,000	-	70,605,000	-
Balance at July 15, 2020	693,659,804	602,363,785	693,659,804	602,363,785
Total Allowances for Impairment	2,033,387,952	1,290,025,639	2,033,387,952	1,290,025,639

* Other movement includes the amount of impairment of acquired institution, Erstwhile Sahayogi Vikas Bank Limited till Ashad 19, 2077

INVESTMENT SECURITIES

4.8

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment Securities Measured at Amortized Cost	11,352,829,597	10,426,530,938	11,321,053,597	10,394,754,938
Investment in Equity Measured at FVTOCI	507,278,965	427,848,613	507,278,965	427,848,613
Total	11,860,108,562	10,854,379,551	11,828,332,562	10,822,603,551

4.8.1 : INVESTMENT SECURITIES MEASURED AT AMORTIZED COST

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Debt Securities	-	-	-	-
Government Bonds	10,176,238,348	6,803,581,024	10,176,238,348	6,803,581,024
Government Treasury Bills	1,144,815,249	3,591,173,914	1,144,815,249	3,591,173,914
Nepal Rastra Bank Bonds	-	-	-	-
Nepal Rastra Bank Deposits Instruments	-	-	-	-
Other	31,776,000	31,776,000	-	-
Less: Specific Allowances for Impairment	-	-	-	-
Total	11,352,829,597	10,426,530,938	11,321,053,597	10,394,754,938

4.8.2 : INVESTMENT IN EQUITY MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Equity Instruments	-	-	-	-
Quoted Equity Securities	502,228,104	423,432,612	502,228,104	423,432,612
Unquoted Equity Securities	5,050,861	4,416,001	5,050,861	4,416,001
Total	507,278,965	427,848,613	507,278,965	427,848,613

4.8.3 : INFORMATION RELATING TO INVESTMENT IN EQUITIES

PARTICULARS	GROUP				BANK				Amount in NPR
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR		
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	
1. Investment in Quoted Equity of the Bank									
1.1 Citizens Mutual Fund-I	150,000,000	150,900,000	150,000,000	152,700,000	150,000,000	150,900,000	150,000,000	152,700,000	
15,000,000 units of Rs 10 each									
1.2 Mero Microfinance Bittiya Sanstha Ltd. (B)	36,494,100	198,845,704	36,494,100	120,732,612	36,494,100	198,845,704	36,494,100	120,732,612	
453,882 Equity Shares (including 88,941 bonus shares) of Rs 100 each									
1.3 Citizens Mutual Fund- II	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	
15,000,000 units of Rs 10 each									
1.4 Aarambha Chautari Laghubitta Bittiya Sanstha Ltd.	1,000,000	2,482,400	-	-	1,000,000	2,482,400	-	-	
10,000 Equity Shares of Rs 100 each									
2. Investment in Unquoted Equity of the Bank									
2.1 National Banking Institute Ltd. (NBI) (B)	1,834,860	1,834,860	1,200,000	1,200,000	1,834,860	1,834,860	1,200,000	1,200,000	
12,000 Equity Shares of Rs 100 each									
2.2 Credit Information Bureau ** (B)	216,001	216,001	216,001	216,001	216,001	216,001	216,001	216,001	
14,963 Equity Shares (including 8,313.50 bonus shares) of Rs 100 each									
2.3 Prabhu Capital Ltd.	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	
30,000 Equity Shares of Rs 100 each									
2.4 Citizens Mutual Fund 2	342,544,961	507,278,965	340,910,101	427,848,613	342,544,961	507,278,965	340,910,101	427,848,613	
15,000,000 units of Rs 10 each									
Total	340,910,101	427,848,613	168,216,001	159,216,001	340,910,101	427,848,613	168,216,001	159,216,001	

CURRENT TAX ASSETS

4.9

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current Tax Assets				
Current Year Income Tax Assets	647,018,240	662,083,354	634,032,850	662,070,073
Tax Assets of Prior Periods	-	-		
Current Tax Liabilities				
Current Year Income Tax Liabilities	491,544,348	650,066,990	491,544,348	647,445,646
Tax Liabilities of Prior Periods	-	-		
Total	155,473,891	12,016,364	142,488,502	14,624,427

INVESTMENT IN SUBSIDIARIES

4.10

Amount in NPR

PARTICULARS	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Investment in Quoted Subsidiaries	-	-
Investment in Unquoted Subsidiaries	167,204,200	167,204,200
Total Investment	167,204,200	167,204,200
Less: Impairment Allowances	-	
Net Carrying Amount	167,204,200	167,204,200

4.10.1 : INVESTMENT IN QUOTED SUBSIDIARIES

Amount in NPR

PARTICULARS	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
.....Ltd.				
.....shares of Rs.each				
.....Ltd.				
.....shares of Rs.each				
.....				
TOTAL				

4.10.2 : INVESTMENT IN UNQUOTED SUBSIDIARIES

Amount in NPR

PARTICULARS	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
CBIL Capital Ltd. 1,172,042 shares of Rs. 100 each	117,204,200	117,204,200		
CBIL securities Ltd 5,00,000 of Rs 100 each	50,000,000	50,000,000		
Previous Year CBIL Capital Ltd. 1,172,040 shares of Rs. 100 each			117,204,200	117,204,200
CBIL securities Ltd. 5,00,000 shares of Rs 100 each			50,000,000	50,000,000
Total	167,204,200	167,204,200	167,204,200	167,204,200

4.10.3 : INFORMATION RELATING TO SUBSIDIARIES OF THE BANK

Amount in NPR

PARTICULARS	BANK	
	PERCENTAGE OF OWNERSHIP HELD BY THE BANK	
	CURRENT YEAR	PREVIOUS YEAR
CBIL Capital Ltd.	58.60%	58.60%
CBIL Securities Ltd.	100.00%	100.00%
..... Ltd.		
..... Ltd.		
.....		

4.10.4 : NON CONTROLLING INTEREST OF THE SUBSIDIARIES

Amount in NPR

PARTICULARS	GROUP	
	CURRENT YEAR	
	CBIL Capital Ltd Ltd.
Equity Interest Held by NCI (%)	41.40%	
Profit/ (Loss) Allocated during the Year		
Accumulated Balances of NCI as on July 15, 2020		
Dividend Paid to NCI		
PARTICULARS	PREVIOUS YEAR	
	CBIL Capital Ltd Ltd.
	CBIL Capital Ltd Ltd.
Equity Interest Held by NCI (%)	41.40%	
Profit/ (Loss) Allocated during the Year		
Accumulated Balances of NCI as on July 15, 2020		
Dividend Paid to NCI		

INVESTMENT IN ASSOCIATES

4.11

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment in Quoted Associates	-	-	-	-
Investment in Unquoted Associates	34,693,285	29,728,445	18,951,500	17,951,500
Total Investment	34,693,285	29,728,445	18,951,500	17,951,500
Less: Impairment Allowances	-	-	-	-
Net Carrying Amount	34,693,285	29,728,445	18,951,500	17,951,500

4.11.3: INFORMATION RELATING TO ASSOCIATES OF THE BANK

Amount in NPR

PARTICULARS	BANK	
	PERCENTAGE OF OWNERSHIP HELD BY THE BANK	
	CURRENT YEAR	PREVIOUS YEAR
1. Nepal Electronic Payment System Ltd.	9.09%	8.57%
2. Nepal Clearing House Ltd.	1.64%	1.64%

4.11.4 : EQUITY VALUE OF ASSOCIATES

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
1. Nepal Electronic Payment System Ltd.	17,116,381	13,432,547		
2. Nepal Clearing House Ltd.	17,576,905	16,295,899		
.....				
Total	34,693,285	29,728,445		

INVESTMENT PROPERTY

4.12

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment Properties Measured At Fair Value	-	-	-	-
Balance as on July 17, 2019	-	-	-	-
Addition/ Disposal during the Year	-	-	-	-
Net Changes in Fair Value during the Year	-	-	-	-
Adjustment/ Transfer	-	-	-	-
Net Amount	-	-	-	-
Investment Properties Measured at Cost				
Balance as on July 17, 2019	222,547,153	287,547,060	222,547,153	287,547,060
Addition/ Disposal during the Year	(27,014,364)	(64,999,907)	(27,014,364)	(64,999,907)
Adjustment/ Transfer	-	-	-	-
Accumulated Depreciation	-	-	-	-
Accumulated Impairment Loss	-	-	-	-
Net Amount	195,532,789	222,547,153	195,532,789	222,547,153
Total	195,532,789	222,547,153	195,532,789	222,547,153

PROPERTY AND EQUIPMENT										4.13
Amount in NPR										
PARTICULARS	GROUP									
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL JULY 15, 2020	TOTAL JULY 15, 2020
Cost										
As on July 16, 2018	1,299,290,731	442,672,298	172,494,687	172,539,644	172,601,175	147,492,811	-	247,387,853	-	2,654,479,199
Addition during the Year										
Acquisition	49,410,962	43,410,454	41,997,504	25,644,500	83,385,033	31,659,192	-	51,824,394	-	327,332,038
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	(6,613,571)	(9,006,346)	(11,365,876)	(6,968,533)	-	(14,318,145)	-	(48,272,470)
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on July 17, 2019	1,348,701,692	486,082,753	207,878,620	189,177,798	244,620,331	172,183,471	-	284,894,102	-	2,933,538,767
Addition during the Year										
Acquisition	-	52,446,709	40,295,277	27,635,388	72,978,800	32,534,901	-	78,250,971	304,142,046	-
Acquired from acquisition	98,800,000	-	-	5,136,319	4,086,295	5,690,786	-	18,808,598	132,521,998	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	(292,767)	(9,362,884)	(3,554,360)	(3,478,710)	(2,223,028)	-	(12,374,818)	(31,286,568)	-
Adjustment/Revaluation	-	422,949	(3,054,056)	(451,986)	-	(309,749)	-	(1,013,796)	(4,406,638)	-
Balance as on July 15, 2020	1,447,501,692	538,659,643	235,756,957	217,943,159	318,206,716	207,876,381	-	368,565,056	3,334,509,604	2,933,538,767
Depreciation and Impairment										
As on July 16, 2018	-	48,554,202	103,731,203	98,011,296	40,304,392	97,667,426	-	149,841,631	-	538,110,149
Impairment for the year										
Depreciation charge for the Year	-	23,863,069		29,776,997	30,494,594	18,502,360	-	38,009,759	-	157,879,713
Disposals	-	-	(5,904,452)	(8,485,279)	(8,399,752)	(6,681,464)	-	(13,089,060)	-	(42,560,006)
Adjustment	-	-	-	-	-	-	-	-	-	-
Balance as on July 17, 2019	-	72,417,271	115,059,685	119,303,014	62,399,235	109,488,322	-	174,762,330	-	653,429,856
Impairment for the year										
Depreciation charge for the Year	-	26,674,155	19,450,584	34,725,828	41,004,568	22,227,926	-	44,698,296	188,781,355	-
Depreciation charge for the Year of acquired institute		-	-	42,216	19,192	31,182	-	123,634	216,225	-
Disposals	-	(111,298)	(7,600,696)	(3,375,774)	(917,773)	(1,931,857)	-	(7,949,049)	(21,886,447)	-
Adjustment	-	7,052	(207,993)	19,264	(82,547)	(330,125)	-	(266,097)	(860,446)	-
Balance as on July 15, 2020	-	98,987,180	126,701,580	150,714,548	102,422,674	129,485,448	-	211,369,114	819,680,114	653,429,856
Capital Work in Progress		4,569,106	10,558,308	-	-	-	-	-	44,597,079	27,986,568
Acquired institute		29,469,666								
Net Book Value										
Balance as on July 17, 2019	1,348,701,692	413,665,482	92,818,935	69,874,784	182,221,097	62,695,149	-	110,131,772	-	2,308,095,479
Balance as on July 15, 2020	1,447,501,692	439,672,464	109,055,377	67,228,610	215,784,042	78,390,933	-	157,195,942	2,559,426,140	2,308,095,479

PARTICULARS	BANK										TOTAL JULY 15, 2020	TOTAL JULY 15, 2020
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS				
Cost												
As on July 16, 2018												
Addition during the Year	49,410,962	43,410,454	41,593,662	25,644,500	83,385,033	31,536,434	-	245,839,839				2,644,615,476
Acquisition	-	-	-	-	-	-	-	-				326,770,201
Capitalization	-	-	-	-	-	-	-	-				-
Disposal during the year	-	-	(6,613,571)	(9,006,346)	(11,365,876)	(6,968,533)		(14,318,145)				(48,272,470)
Adjustment/Revaluation												
Balance as on July 17, 2019	1,348,701,692	486,082,753	206,687,579	187,316,166	240,215,064	170,799,103	-	283,310,852			2,923,113,207	2,923,113,207
Addition during the Year												
Acquisition	-	52,446,709	39,134,252	27,502,404	72,978,800	32,534,901		78,135,971			302,733,037	
Acquired from acquisition	98,800,000			5,136,319	4,086,295	5,690,786		18,808,598			132,521,998	
Capitalization	-	-	-	-	-	-	-	-			-	
Disposal during the year	-	(292,767)	(9,362,884)	(3,554,360)	(3,478,710)	(2,223,028)		(12,374,818)			(31,286,568)	
Adjustment/Revaluation		422,949	(3,054,056)	(451,986)		(309,749)		(1,013,796)			(4,406,638)	
Balance as on July 15, 2020	1,447,501,692	538,659,643	233,404,891	215,948,542	313,801,449	206,492,013	-	366,866,806			3,322,675,036	2,923,113,207
Depreciation and Impairment												
As on July 16, 2018		48,554,203	103,565,338	97,290,186	39,438,350	96,833,321		148,926,340			-	534,607,738
Impairment for the year												156,203,334
Depreciation charge for the Year		23,863,069	17,140,753	29,427,941	29,841,513	18,321,533		37,608,525				
Disposals		-	(5,904,452)	(8,485,279)	(8,399,752)	(6,681,464)		(13,089,060)				(42,560,007)
Adjustment											-	
Balance as on July 17, 2019		72,417,272	114,801,639	118,232,848	60,880,111	108,473,390		173,445,805			648,251,065	648,251,065
Impairment for the year												
Depreciation charge for the Year		26,674,155	19,328,309	34,232,530	40,375,244	22,137,998		44,369,984			187,118,220	
Depreciation charge for the Year of acquired institute				42,216	19,192	31,182		123,634			216,225	
Disposals		(111,298)	(7,600,696)	(3,375,774)	(917,773)	(1,931,857)		(7,949,049)			(21,886,447)	
Adjustment		7,052	(200,835)	(80,184)	-	(122,556)		(80,602)			(477,125)	
Balance as on July 15, 2020	-	98,987,181	126,328,418	149,051,637	100,356,774	128,588,157	-	209,909,772			813,221,938	648,251,065
Capital Work in Progress		4,569,106	10,558,308								44,597,079	27,986,568
Acquired institute		29,469,666										
Net Book Value												
Balance as on July 17, 2019	1,348,701,692	432,393,175	91,908,064	78,320,068	179,334,952	62,325,713	-	109,865,047				2,302,848,711
Balance as on July 15, 2020	1,447,501,692	473,711,234	117,634,781	66,896,906	213,444,675	77,903,856	-	156,957,034			2,554,050,177	

GOODWILL AND INTANGIBLE ASSETS

4.14

Amount in NPR

GROUP						
PARTICULARS	GOODWILL	SOFTWARE		OTHER	TOTAL JULY 15, 2020	TOTAL JULY 15, 2020
		PURCHASED	DEVELOPED			
Cost						
As on July 16, 2018	-	46,657,057	-	-	-	46,657,057
Addition during the Year	-	-	-	-	-	-
Acquisition	-	91,620,062	-	-	-	91,620,062
Capitalization	-	-	-	-	-	-
Disposal during the year	-	(53,308)	-	-	-	(53,308)
Adjustment/Revaluation	-	-	-	-	-	-
BALANCE AS ON JULY 17, 2019	-	138,223,810	-	-	-	138,223,810
Addition during the Year						
Acquisition	-	7,666,179	-	-	7,666,179	-
Capitalization	-	-	-	-	-	-
Disposal during the year	-	(4,110,020)	-	-	(4,110,020)	-
Adjustment/Revaluation	-	-	-	-	-	-
BALANCE AS ON JULY 15, 2020	-	141,779,969	-	-	141,779,969	138,223,810
Amortization and Impairment						
As on July 16, 2018	-	29,978,448	-	-	-	29,978,448
Amortization charge for the Year	-	14,591,044	-	-	14,591,044	14,591,044
Impairment for the year	-	-	-	-	-	-
Disposals	-	(44,993)	-	-	(44,993)	(44,993)
Adjustment	-	-	-	-	-	-
BALANCE AS ON JULY 17, 2019	-	44,524,500	-	-	-	44,524,500
Impairment for the year						
Disposals	-	(3,482,040)	-	-	(3,482,040)	-
Adjustment	-	(128,130)	-	-	(128,130)	-
BALANCE AS ON JULY 15, 2020	-	65,559,168	-	-	21,034,668	44,524,500
CAPITAL WORK IN PROGRESS	-	226,000	-	-	226,000	-
NET BOOK VALUE	-	-	-	-	-	-
AS ON JULY 17, 2019	-	93,699,311	-	-	-	93,699,311
AS ON JULY 15, 2020	-	76,446,802	-	-	76,446,802	

PARTICULARS	BANK					
	GOODWILL	SOFTWARE		OTHER	TOTAL JULY 15, 2020	TOTAL JULY 15, 2020
		PURCHASED	DEVELOPED			
Cost						
As on July 16, 2018	-	45,772,696	-	-	-	45,772,696
Addition during the Year	-		-	-	-	-
Acquisition	-	91,620,062	-	-	-	91,620,062
Capitalization	-		-	-	-	-
Disposal during the year	-	(53,308)	-	-	-	(53,308)
Adjustment/Revaluation	-		-	-	-	-
Balance as on July 17, 2019	-	137,339,450	-	-	137,339,450	137,339,450
Addition during the Year						
Acquisition	-	6,721,499	-	-	6,721,499	-
Capitalization	-		-	-	-	-
Disposal during the year	-	(4,110,020)	-	-	(4,110,020)	-
Adjustment/Revaluation	-		-	-	-	-
Balance as on July 15, 2020	-	139,950,929	-	-	139,950,929	-
Amortization and Impairment						
As on July 16, 2018	-	29,733,195	-	-	-	29,733,195
Amortization charge for the Year	-	14,297,820	-	-	-	14,297,820
Impairment for the year	-		-	-	-	-
Disposals	-	(44,963)	-	-	-	(44,963)
Adjustment	-		-	-	-	-
Balance as on July 17, 2019	-	43,986,052	-	-	43,986,023	43,986,023
Amortization charge for the Year	-	24,350,227	-	-	24,350,227	-
Impairment for the year						
Disposals	-	(3,482,040)	-	-	(3,482,040)	-
Adjustment	-		-	-	-	-
Balance as on July 15, 2020	-	64,854,240	-	-	64,854,211	-
Capital Work in Progress	-	226,000	-	-	226,000	-
Net Book Value	-		-	-	-	-
As on July 17, 2019	-	93,353,398	-	-	93,353,398	93,353,427
As on July 15, 2020	-	75,322,689	-	-	75,322,689	-

DEFERRED TAX

4.15

Amount in NPR

PARTICULARS	GROUP			BANK		
			CURRENT YEAR			CURRENT YEAR
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)
Deferred Tax on Temporary Differences on following items						
Loan and Advances to B/FIs	-	-	-	-	-	-
Loan and Advances to Customers	-	-	-	-	-	-
Investment Properties	-	-	-	-	-	-
Investment Securities	537,909	(51,098,681)	(50,560,772)	440,223	(51,098,681)	(50,658,458)
Property & Equipment	(6,425,393)	-	(6,425,393)	(6,454,129)	-	(6,454,129)
Employees' Defined Benefit Plan	13,935,972	-	13,935,972	13,682,682		13,682,682
Lease Liabilities	8,408,221	-	8,408,221	8,111,504	-	8,111,504
Provisions	-	-	-	-	-	-
Other Temporary Differences	-	(7,685,609)	(7,685,609)		(7,685,609)	(7,685,609)
Deferred Tax on Temporary Differences	16,456,708	(58,784,290)	(42,327,582)	15,780,280	(58,784,290)	(43,004,011)
Deferred Tax on Carry Forward of Unused Tax Losses	29,390,469		29,390,469	29,390,469		29,390,469
Deferred Tax Due to Changes in Tax Rate	-	-	-	-	-	-
Net Deferred Tax Asset/ (Liabilities) as on July 15, 2020	-	-	(12,937,113)	-	-	(13,613,542)
Deferred Tax (Asset)/ Liabilities as on July 17, 2019	-	-	(23,971,072)	-	-	(20,235,997)
Origination/ (Reversal) during the Year	-	-	17,164,952	-	-	17,164,952
Deferred Tax Expense/ (Income) recognised in Profit or Loss	-	-	19,743,233	-	-	16,684,587
Deferred Tax Expense/ (Income) recognised in Other Comprehensive Income	-	-	3,867,197	-	-	783,210
Deferred Tax Expense/ (Income) recognised directly in Equity	-	-	15,876,037	-	-	15,901,377

PARTICULARS	GROUP			BANK		
			PREVIOUS YEAR			PREVIOUS YEAR
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/ (LIABILITIES)
Deferred Tax on Temporary Differences on following items						
Loan and Advance to B/FIs			-			-
Loans and Advances to customers			-			-
Investment Properties			-			-
Investment Securities	3,733,525	(21,584,865)	(17,851,340)	-	(21,584,865)	(21,584,865)
Property & Equipment	-	(5,790,230)	(5,790,230)	-	(5,766,539)	(5,766,539)
Employees' Defined Benefit Plan	2,355,145	-	2,355,145	2,329,903		2,329,903
Lease Liabilities	4,796,850	-	4,796,850	4,796,850	-	4,796,850
Provisions	-	-	-	-	-	-
Other Temporary Differences	-	(256,444)	(256,444)	-	(256,444)	(256,444)
Deferred Tax on Temporary Differences	10,885,520	(27,631,540)	(16,746,020)	7,126,753.26	(27,607,848.40)	(20,481,095)
Deferred Tax on Carry Forward of Unused Tax Losses	40,717,092		40,717,092	40,717,092		40,717,092
Deferred Tax due to Changes in Tax Rate						
Net Deferred Tax Asset/(Liabilities) as on July 15, 2020			23,971,072			20,235,997
Deferred Tax (Asset)/ Liabilities as on July 17, 2019			15,292,308			17,677,499
Origination/(Reversal) during the Year			(39,263,379)			(37,913,496)
Deferred Tax Expense/ (Income) recognised in Profit or Loss			(63,316,326)			(61,950,946)
Deferred Tax Expense/ (Income) recognised in Other Comprehensive Income			24,052,947			24,037,451
Deferred Tax Expense/ (Income) recognised directly in Equity			-			-

OTHER ASSETS

4.16

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Assets Held for Sale	-	-	-	-
Other Non Banking Assets	-	-	-	-
Bills Receivable	-	-	-	-
Accounts Receivable	690,992,403	1,022,695,412	669,017,686	1,054,902,398
Accrued Income	4,086,259	4,729,049	4,086,259	4,729,049
Prepayments and Deposit	121,065,899	137,191,095	120,663,657	119,254,878
Income Tax Deposit	19,005,169	18,769,113	19,005,169	18,769,113
Deferred Employee Expenditure	545,520,490	409,019,093	545,520,490	409,019,093
Other	33,980,627	15,835,611	33,698,749	15,653,230
Total	1,414,650,846	1,608,239,372	1,391,992,008	1,622,327,760

DUE TO BANK AND FINANCIAL INSTITUTIONS

4.17

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Money Market Deposits	-	-	-	-
Interbank Borrowing	-	300,000,000	-	300,000,000
Other Deposits from B/FIs	3,688,903,954	3,626,662,470	3,688,903,954	3,626,662,470
Settlement and Clearing Accounts	-	-	-	-
Other Deposits from B/FIs	-	-	-	-
Total	3,688,903,954	3,926,662,470	3,688,903,954	3,926,662,470

DUE TO NEPAL RASTRA BANK

4.18

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Refinance from NRB	567,577,082	1,212,586,471	567,577,082	1,212,586,471
Standing Liquidity Facility	-	-	-	-
Lender of Last Resort Facility from NRB	-	-	-	-
Securities Sold under Repurchase Agreements	-	-	-	-
Other Payable to NRB	-	-	-	-
Total	567,577,082	1,212,586,471	567,577,082	1,212,586,471

DERIVATIVE FINANCIAL INSTRUMENTS

4.19

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Held for Trading				
Interest Rate Swap				
Currency Swap				
Forward Exchange Contract				
Others				
Held for Risk Management				
Interest Rate Swap				
Currency Swap				
Forward Exchange Contract				
Other				
Total				

DEPOSITS FROM CUSTOMERS

4.20

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Institutional Customers:				
Term Deposits	34,632,861,867	29,294,776,238	34,717,861,867	29,379,776,238
Call Deposits	5,606,486,186	5,126,971,582	5,606,486,186	5,146,053,092
Current Deposits	3,840,412,273	3,083,595,540	4,077,785,851	3,133,120,904
Other	532,067,462	422,319,349	532,067,462	422,319,349
Individual Customers:				
Term Deposits	19,499,820,686	15,116,813,115	19,499,820,686	15,116,813,115
Saving Deposits	23,582,693,296	16,794,191,131	23,582,693,296	16,794,191,131
Current Deposits	400,405,750	363,368,395	400,405,750	363,368,395
Other	79,107,366	153,442,427	79,107,366	153,442,427
Total	88,173,854,887	70,355,477,776	88,496,228,464	70,509,084,649

4.20.1: CURRENCY WISE ANALYSIS OF DEPOSIT FROM CUSTOMERS

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese Rupee	86,646,472,678	69,170,586,464	86,968,846,256	69,324,193,338
Indian Rupee	-	-	-	-
United State Dollar	1,510,798,335	1,173,512,924	1,510,798,335	1,173,512,924
Great Britain Pound	148,653	305,247	148,653	305,247
Euro	7,286,325	10,872,457	7,286,325	10,872,457
Japanese Yen	221,617	200,684	221,617	200,684
Chinese Yuan	-	-	-	-
Other	8,927,277	-	8,927,277	-
Total	88,173,854,886	70,355,477,776	88,496,228,464	70,509,084,649

BORROWING

4.21

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Domestic Borrowing				
Nepal Government	-	-	-	-
Other Institutions	-	-	-	-
Other	-	-	-	-
Sub total	-	-	-	-
Foreign Borrowing				
Foreign Bank and Financial Institutions	-	-	-	-
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Sub total	-	-	-	-
Total	-	-	-	-

PROVISIONS

4.22

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Provisions for Redundancy	-	-	-	-
Provisions for Restructuring	-	-	-	-
Pending Legal Issues and Tax Litigation	-	-	-	-
Onerous Contracts	-	-	-	-
Other - Previous Year's Income Tax Provision	5,306,626	5,306,626	5,306,626	5,306,626
Total	5,306,626	5,306,626	5,306,626	5,306,626

4.22.1 : MOVEMENT IN PROVISION

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Balance At July 17, 2018	5,306,626	5,306,626	5,306,626	5,306,626
Provisions Made during the Year	-	-	-	-
Provisions Used during the Year	-	-	-	-
Provisions Reversed during the Year	-	-	-	-
Unwind of Discount	-	-	-	-
Balance at July 16, 2019	5,306,626	5,306,626	5,306,626	5,306,626

OTHER LIABILITIES

4.23

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Liability for Employees Defined Benefit Obligations	54,258,501	5,497,624	53,804,487	5,413,486
Liability for Long-Service Leave	390,287	2,352,859	-	2,352,859
Short-Term Employee Benefits	4,551,390	4,570,530	4,551,390	4,570,530
Bills Payable	132,763,515	139,341,142	132,763,515	139,341,142
Creditors and Accruals	25,030,952	40,796,949	25,030,952	39,909,226
Interest Payable on Deposit	23,297,842	7,094,386	23,297,842	7,094,386
Interest Payable on Borrowing	78,983,570	23,311,930	78,983,570	23,311,930
Liabilities on Deferred Grant Income	4,879,247	4,214,586	4,879,247	4,214,586
Unpaid Dividend	298,201,142	85,656,720	146,075,099	84,744,388
Lease Liabilities	30,209,974	15,989,500	29,220,919	15,989,500
Employee Bonus Payable	189,944,078	245,978,655	186,402,615	241,957,093
Other				
Card Payables	33,057,457	29,259,528	33,057,457	29,259,528
Unearned Commissions	99,536,876	73,928,838	99,536,876	73,928,838
Tax Payable	146,885,676	120,361,463	145,876,322	120,141,149
Retention Money	11,765,356	8,619,774	11,765,356	8,619,774
Provision for Expenses	33,147,886	23,460,802	32,621,786	22,304,052
Account Payable Others	384,921,811	652,244,572	379,084,092	650,799,016
Total	1,551,825,562	1,482,679,856	1,386,951,527	1,473,951,481

4.23.1 : DEFINED BENEFIT OBLIGATIONS

The amounts recognized in the Statement of Financial Position are as follows:

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Present Value of Unfunded Obligations	52,794,283	5,413,486	52,340,269	5,413,486
Present Value of Funded Obligations	73,370,973	66,343,987	73,370,973	66,343,987
Total Present Value of Obligations	125,711,242	71,757,473	125,711,242	71,757,473
Fair Value of Plan Assets	73,370,973	66,343,987	73,370,973	66,343,987
Present Value of Net Obligations	52,340,269	5,413,486	52,340,269	5,413,486
Recognised Liability for Defined Benefit Obligations	125,711,242	71,757,473	125,711,242	71,757,473

* Present Value Of Unfunded Obligations includes NPR 23,659,249.59 on account of provision made for gratuity equivalent to 1 month for the staffs joining after Bhadra 2074 as as per terms of Employee Service Byelaws of the Bank.

4.23.2 : PLAN ASSETS

Amount in NPR

PLAN ASSETS COMPRISE	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Equity Securities				
Government Bonds				
Bank Deposit				
Other	73,370,973	66,343,987	73,370,973	66,343,987
Total	73,370,973	66,343,987	73,370,973	66,343,987

4.23.3 : MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Defined Benefit Obligations at July 17, 2019	71,757,473	53,516,399	71,757,473	53,516,399
Actuarial Losses (Gain)	23,046,373	14,514,154	23,046,373	14,514,154
Benefits Paid by the Plan	(7,943,016)	(17,276,585)	(7,943,016)	(17,276,585)
Current Service Costs and Interest	38,850,412	21,003,505	38,850,412	21,003,505
Defined Benefit Obligations at July 15, 2020	126,165,256	71,757,473	125,711,242	71,757,473

* Current service cost includes NPR 16,884,145.59 on account of provision made for gratuity equivalent to 1 month for the staffs joining after Bhadra 2074 as as per terms of Employee Service Byelaws of the Bank.

4.23.4 : MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Fair Value Of Plan Assets at July 17, 2019	66,343,987	51,373,776	66,343,987	51,373,776
Contributions Paid into the Plan	11,285,962	29,958,390	11,285,962	29,958,390
Benefits Paid during The Year	(7,943,016)	(17,276,585)	(7,943,016)	(17,276,585)
Actuarial (Losses) Gains	(1,744,528)	(1,299,523)	(1,744,528)	(1,299,523)
Expected Return on Plan Assets	5,428,568	3,587,929	5,428,568	3,587,929
Fair Value Of Plan Assets at July 15, 2020	73,370,973	66,343,987	73,370,973	66,343,987

* Contributions paid into the plan includes the amount of NPR 316,734.23 transfer from acquired institution, erstwhile Sahayogi Vikas Bank Limited

4.23.5 : AMOUNT RECOGNIZED IN PROFIT OR LOSS

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current Service Costs	34,217,257	17,413,256	33,969,544	17,413,256
Interest on Obligation	4,880,869	3,590,249	4,880,869	3,590,249
Expected Return on Plan Assets	(5,428,568)	(3,587,929)	(5,428,568)	(3,587,929)
Total	33,669,558	17,415,576	33,421,845	17,415,576

4.23.6 : AMOUNT RECOGNIZED IN OTHER COMPREHENSIVE INCOME

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Actuarial (Gain)/ Loss	24,875,370	15,813,677	24,790,901	15,813,677
Total	24,875,370	15,813,677	24,790,901	15,813,677

4.23.7 : ACTUARIAL ASSUMPTIONS

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Discount Rate	9.00%	8.00%	9.00%	8.00%
Expected Return on Plan Asset	8.00%	8.00%	8.00%	8.00%
Future Salary Increase	7.50%	7.50%	7.50%	7.50%
Withdrawal Rate	11.00%	13.00%	11.00%	13.00%

DEBT SECURITIES ISSUED

4.24

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Debt Securities Issued Designated as at Fair Value Through Profit or Loss	-	-	-	-
Debt Securities Issued at Amortised Cost	2,974,381,302	499,145,186	2,974,381,302	499,145,186
Total	2,974,381,302	499,145,186	2,974,381,302	499,145,186

SUBORDINATED LIABILITIES

4.25

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Redeemable Preference Shares				
Irredeemable Cumulative Preference Shares (Liabilities Component)				
Other				
Total				

SHARE CAPITAL

4.26

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Ordinary Shares	9,089,817,290	8,371,064,773	9,089,817,290	8,371,064,773
Convertible Preference Shares (Equity Component Only)	-	-	-	-
Irredeemable Preference Shares (Equity Component Only)	-	-	-	-
Perpetual Debt (Equity Component Only)	-	-	-	-
Total	9,089,817,290	8,371,064,773	9,089,817,290	8,371,064,773

4.26.1 : ORDINARY SHARES

Amount in NPR

PARTICULARS	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Authorized Capital		
100,000,000 Ordinary shares of Rs. 100 each	10,000,000,000	10,000,000,000
Issued capital		
90,898,172.90 Ordinary shares of Rs. 100 each	9,089,817,290	
(Previous Year 83,710,647.73 Ordinary Shares of Rs. 100 each)		8,371,064,773
Subscribed and paid up capital		
90,898,172.90 Ordinary shares of Rs. 100 each	9,089,817,290	
(Previous Year 83,710,647.73 Ordinary Shares of Rs. 100 each)		8,371,064,773
Total	9,089,817,290	8,371,064,773

4.26.2 : ORDINARY SHARE OWNERSHIP

Amount in NPR

PARTICULARS	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	PERCENT	AMOUNT	PERCENT	AMOUNT
Domestic ownership				
Nepal Government	-	-	-	-
“A” Class Licensed Institutions	-	-	-	-
Other Licensed Institutions	-	-	-	-
Other Institutions	5.03%	457,454,798	5.37%	444,130,963
Public	49.00%	4,454,008,460	48.70%	4,101,818,773
Other	45.97%	4,178,354,032	45.93%	3,825,114,937
Foreign Ownership	-	-	-	-
Total	100.00%	9,089,817,290	100.00%	8,371,064,673

RESERVES

4.27

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory General Reserve	1,885,803,066	1,484,944,422	1,883,594,323	1,484,944,422
Exchange Equilisation Reserve	58,907,315	41,009,337	58,907,315	41,009,337
Corporate Social Responsibility Reserve	14,934,044	19,756,038	14,713,170	19,756,038
Capital Redemption Reserve	500,000,000	392,857,143	500,000,000	392,857,143
Regulatory Reserve	451,982,508	486,287,496	451,982,508	486,287,496
Investment Adjustment Reserve	3,000,000	3,000,000	3,000,000	3,000,000
Capital Reserve	-	-	-	-
Assets Revaluation Reserve	387,759,636	343,854,012	387,759,636	343,854,012
Fair Value Reserve	115,313,803	60,856,958	115,313,803	60,856,958
Dividend Equalisation Reserve	-	-	-	-
Actuarial Gain	(24,400,705)	(6,964,954)	(24,440,628)	(7,086,997)
Special Reserve	-	-	-	-
Other Reserve	4,594,081	1,877,088	1,791,460	-
Total	3,397,893,748	2,827,477,541	3,392,621,587	2,825,478,410

CONTINGENT LIABILITIES AND COMMITMENTS

4.28

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Contingent Liabilities	17,179,756,647	8,790,128,032	16,782,199,647	8,332,637,132
Undrawn and Undisbursed Facilities	53,823,854,609	42,965,478,554	53,823,854,609	42,965,478,554
Capital Commitment	23,291,732	44,540,852	23,291,732	44,540,852
Lease Commitment	614,735,569	435,794,290	614,735,569	435,794,290
Litigation	80,071,263	63,557,281	80,071,263	63,557,281
Total	71,721,709,819	52,299,499,009	71,324,152,819	51,842,008,109

4.28.1: CONTINGENT LIABILITIES

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Acceptance and Documentary Credit	5,653,272,818	1,531,284,415	5,653,272,818	1,531,284,415
Bills for Collection	267,876,584	446,980,546	267,876,584	446,980,546
Forward Exchange Contracts	-	-	-	-
Guarantees	8,240,496,516	6,203,571,929	8,240,496,516	6,203,571,929
Underwriting Commitment	372,557,000	457,490,900	-	-
Other Commitments	2,645,553,729	150,800,242	2,620,553,729	150,800,242
Total	17,179,756,647	8,790,128,032	16,782,199,647	8,332,637,132

4.28.2: UNDRAWN AND UNDISBURSED FACILITIES

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Undisbursed Amount of Loans	23,517,978,075	18,198,338,227	23,517,978,075	18,198,338,227
Undrawn Limits of Overdrafts	7,171,682,544	3,509,177,478	7,171,682,544	3,509,177,478
Undrawn Limits of Credit Cards	227,595,284	167,236,481	227,595,284	167,236,481
Undrawn Limits of Letter of Credit	13,297,149,599	10,404,319,804	13,297,149,599	10,404,319,804
Undrawn Limits of Guarantee	9,609,449,106	10,686,406,565	9,609,449,106	10,686,406,565
Total	53,823,854,609	42,965,478,554	53,823,854,609	42,965,478,554

4.28.3: CAPITAL COMMITMENTS

Capital Expenditures are approved by relevant authority of the Bank but provision has not been made in Financial Statements.

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Capital Commitments in relation to Property and Equipment				
Approved and Contracted for	23,291,732	43,285,422	23,291,732	43,285,422
Approved but not Contracted for				
Sub total	23,291,732	43,285,422	23,291,732	43,285,422
Capital Commitments in relation to Intangible Assets				
Approved and Contracted for	-	1,255,430	-	1,255,430
Approved but not Contracted for	-	-	-	-
Sub total	-	1,255,430	-	1,255,430
Total	23,291,732	44,540,852	23,291,732	44,540,852

4.28.4: LEASE COMMITMENTS

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Operating Lease Commitments				
Future Minimum Lease Payments under Non Cancellable Operating Lease, where the Bank is Lessee				
Not later than 1 year	80,172,783	54,891,711	80,172,783	54,891,711
Later than 1 year but not later than 5 years	314,778,461	225,991,179	314,778,461	225,991,179
Later than 5 years	219,784,324	154,911,400	219,784,324	154,911,400
Sub total	614,735,569	435,794,290	614,735,569	435,794,290
Finance Lease Commitments				
Future Minimum Lease Payments under Non Cancellable Operating Lease, where the Bank is Lessee				
Not later than 1 year				
Later than 1 year but not later than 5 years				
Later than 5 years				
Sub total				
Grand total	614,735,569	435,794,290	614,735,569	435,794,290

4.28.5: LITIGATION

The detail of contingent liabilities on account of pending litigation of the Bank are as mentioned below:

a. Status of Contingent Liabilities for Tax Litigation cases pending as on 31st Ashadh, 2077

TAX ASSESSMENT ORDER LITIGATION OF	FY	PENDING AT	AMOUNT
Citizens Bank International Limited	2063/64 (2006-07)	Supreme Court	5,528,776.49
Citizens Bank International Limited	2064/65 (2007-08)	Supreme Court	
Citizens Bank International Limited	2067/68 (2010-11)	Supreme Court	2,885,729
Citizens Bank International Limited	2068/69 (2011-12)	Revenue Tribunal	8,346,518
Citizens Bank International Limited	2069/70 (2012-13)	Revenue Tribunal	12,396,901
Citizens Bank International Limited	2070/71 (2013-14)	Tax Administrative Review	10,148,138
Citizens Bank International Limited	2071/72 (2014-15)	Tax Administrative Review	7,710,616
People's Finance Limited	2067/68 (2010-11)	Tax Administrative Review	21,002,255
Nepal Housing and Merchant Finance Limited	2068/69 (2011-12)	Tax Administrative Review	3,446,694
Nepal Housing and Merchant Finance Limited	2070/71 (2013-14)	Tax Administrative Review	917,391
Nepal Housing and Merchant Finance Limited	2071/72 (2014-15)	Tax Administrative Review	1,214,939
Nepal Housing and Merchant Finance Limited	2071/72 (2014-15)	Tax Administrative Review	944,223
Nepal Housing and Merchant Finance Limited		Inland Revenue Department	5,529,083
Total			80,071,263

Financial Year 2016-17 to 2019-20

The self assessment returns filed by the Bank for Financial Year 2016/17 (2073/74) to 2018/19 (2075/76) has not yet been opened for reassessment by the Large Taxpayers Office

b. Status of Contingent Liabilities for other pending litigations

As such, there are no other contingent liabilities that are likely to materialize against the Bank in case of other pending litigations.

INTEREST INCOME

4.29

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash and Cash Equivalents	107,685,595	108,409,305	107,685,595	108,537,386
Due from Nepal Rastra Bank	-	-	-	-
Placement with Bank and Financial Institutions	11,873,743	63,710,183	11,873,743	63,710,183
Loan and Advances to Bank and Financial Institutions	162,037,741	104,745,073	162,037,741	104,745,073
Loan and Advances to Customers	8,642,033,423	7,889,220,279	8,642,033,423	7,889,293,249
Investment Securities	497,050,742	324,539,507	493,366,852	322,400,112
Loan and Advances to Staff	72,527,984	43,597,584	72,527,984	43,597,584
Other	-	-	-	-
Total Interest Income	9,493,209,228	8,534,221,931	9,489,525,338	8,532,283,587

INTEREST EXPENSES

4.30

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Due to Bank and Financial Institutions	257,726,342	281,145,054	257,726,342	281,145,054
Due to Nepal Rastra Bank	31,105,851	62,465,266	31,105,851	62,465,266
Deposits from Customers	6,183,798,345	5,446,865,030	6,204,387,904	5,457,289,005
Borrowing	-	-	-	-
Debt Securities Issued	111,551,624	42,922,284	111,551,624	42,922,284
Subordinated Liabilities	-	-	-	-
Other	-	-	-	-
Total Interest Expense	6,584,182,162	5,833,397,635	6,604,771,721	5,843,821,610

FEES AND COMMISSION INCOME

4.31

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan administration fees	178,590,160	201,913,592	178,590,160	201,913,592
Service fees	64,118,954	36,839,095	64,118,954	36,839,095
Consortium fees	49,952,537	58,324,047	49,952,537	58,324,047
Commitment fees	8,086,095	9,388,807	8,086,095	9,388,807
DD/ TT/ Swift fees	14,584,138	17,387,203	14,584,138	17,387,203
Credit card/ATM issuance and renewal fees	50,186,065	50,956,988	50,186,065	50,956,988
Prepayment and swap fees	6,474,824	15,781,654	6,474,824	15,781,654
Investment banking fees	-	-	-	-
Asset management fees	31,792,924	18,653,051	-	-
Brokerage fees	-	-	-	-
Remittance fees	26,642,171	28,282,330	26,642,171	28,282,330
Commission on letter of credit	51,391,695	40,357,043	51,391,695	40,357,043
Commission on guarantee contracts issued	82,369,872	62,217,777	82,369,872	62,217,777
Commission on share underwriting/ issue	-	10,937,822	-	-
Locker rental	5,247,394	4,659,400	5,247,394	4,659,400
Other fees and commission income	25,019,025	15,628,982	25,019,025	12,310,501
Bancassurance Comm	7,279,333	14,252,502	7,279,333	14,252,502
Commission-Trade Operation	6,182	15,409	6,182	15,409
Import bills/collection commission	-	-	-	-
Demat commission	6,731,446	6,815,064	6,731,446	6,815,064
ABBS fees	1,930,748	3,585,150	1,930,748	3,585,150
Others	4,612,874	5,487,340	3,602,950	5,487,339
Total Fees and Commission Income	615,016,437	601,483,255	582,213,590	568,573,901

FEES AND COMMISSION EXPENSES

4.32

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ATM Management Fees	4,063,525	2,042,159	4,063,525	2,042,159
VISA/ Master Card Fees	14,940,195	16,859,922	14,940,195	16,859,922
Guarantee Commission	-	-	-	-
Brokerage	-	3,146,204	-	-
DD/ TT/ Swift Fees	7,366,859	7,526,349	7,366,859	7,526,349
Remittance Fees and Commission	76,388	100,745	76,388	100,745
Other Fees and Commission Expenses	33,027,897	38,261,434	31,284,700	35,731,074
Total Fees and Commission Expenses	59,474,863	67,936,813	57,731,667	62,260,248

NET TRADING INCOME

4.33

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Changes in Fair Value of Trading Assets	31,235,949	(11,049,224)	19,116,485	(12,129,404)
Gain/ Loss on Disposal of Trading Assets	(20,365,133)	62,367,227	(13,203,111)	429,383
Interest Income on Trading Assets	-	-	-	-
Dividend Income on Trading Assets	14,361,992	3,556,406	12,316,159	220,434
Gain/ Loss Foreign Exchange Transaction	263,108,519	288,801,722	263,108,519	288,801,722
Other	-	-	-	-
Net Trading Income	288,341,327	343,676,130	281,338,052	277,322,135

OTHER OPERATING INCOME

4.34

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Foreign Exchange Revaluation Gain	71,591,910	(8,766,181)	71,591,910	(8,766,181)
Gain/ Loss on Sale of Investment Securities	-	-	-	-
Fair Value Gain/ Loss on Investment Properties	-	-	-	-
Dividend on Equity Instruments	57,000	2,030,385	57,000	2,667,854
Gain/ Loss on Sale of Property and Equipment	(6,653,619)	(724,482)	(6,653,619)	(724,482)
Gain/ Loss on Sale of Investment Property	6,307,305	5,572,504	6,307,305	5,572,504
Operating Lease Income	-	-	-	-
Gain/ Loss on Sale of Gold and Silver	5,259,903	7,106,138	5,259,903	7,106,138
Locker Rent	-	-	-	-
Other	28,118,424	31,300,863	23,540,340	24,609,473
Total	104,680,923	36,519,227	100,102,839	30,465,306

IMPAIRMENT CHARGE/ (REVERSAL) FOR LOAN AND OTHER LOSSES

4.35

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Impairment Charge/ (Reversal) on Loan and Advances to B/FIs	(857,330)	-	(857,330)	-
Impairment Charge/ (Reversal) on Loan and Advances to Customer	640,990,588	(139,917,477)	640,990,588	(139,917,477)
Impairment Charge/ (Reversal) on Financial Investment	-	-	-	-
Impairment Charge/ (Reversal) on Placement with Bank and Financial Institutions	-	-	-	-
Impairment Charge/ (Reversal) on Property and Equipment	-	1,544,705	-	1,544,705
Impairment Charge/ (Reversal) on Goodwill and Intangible Assets	-	-	-	-
Impairment Charge/ (Reversal) on Investment Properties	-	-	-	-
Total	640,133,259	(138,372,772)	640,133,259	(138,372,772)

PERSONNEL EXPENSES

4.36

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Salary	300,082,011	256,701,213	296,210,812	253,280,265
Allowances	276,004,011	230,623,624	273,284,746	228,721,667
Gratuity Expenses	33,669,558	17,542,605	33,421,845	17,415,576
Provident Fund	29,763,535	24,618,312	29,386,946	24,362,365
Uniform	7,176,892	8,577,540	7,176,892	8,577,540
Training & Development expenses	11,062,678	15,982,722	11,033,072	15,982,722
Leave encashment	28,298,267	58,346,497	28,298,267	58,346,497
Medical	3,540,481	2,203,446	3,540,481	2,203,446
Insurance	1,762,331	1,804,440	1,762,331	1,804,440
Employees incentive	-	900,000	-	-
Cash-Settled Share-Based Payments	-	-	-	-
Pension Expense	-	-	-	-
Finance Expense under NFRS	37,707,724	21,195,332	37,707,724	21,195,332
Other Expenses Related to Staff	38,361,546	26,464,822	38,113,914	26,397,410
Sub total	767,429,035	664,960,554	759,937,029	658,287,261
Employees Bonus	178,830,747	245,978,655	175,317,535	241,957,093
Grand total	946,259,782	910,939,209	935,254,564	900,244,354

OTHER OPERATING EXPENSES

4.37

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Directors' Fee	4,113,000	3,745,000	3,528,000	3,090,000
Directors' Expenses	1,280,736	7,642,598	1,249,465	7,642,598
Auditors' Remuneration	2,124,400	2,548,150	1,926,650	2,378,650
Other Audit Related Expenses	1,011,860	1,500,000	1,000,000	1,500,000
Professional and Legal Expenses	8,753,451	899,813	1,530,851	1,182,268
Office Administration Expenses	364,500,454	349,546,869	360,273,395	342,841,572
Operating Lease Expenses	84,445,679	59,671,556	83,108,240	59,671,556
Operating Expense of Investment Properties	-	-	-	-
Corporate Social Responsibility Expenses	18,856,632	7,217,189	18,856,632	7,217,189
Onerous Lease Provisions	-	-	-	-
Other	22,294,252	44,775,873	33,106,988	44,263,398
Total	507,380,463	477,547,047	504,580,220	469,787,230

OFFICE ADMINISTRATION EXPENSE

4.37.1

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Water & electricity	5,888,278	23,955,709	24,044,307	23,707,750
Repair & maintenance	-	-	-	-
(a) Building	5,888,278	1,560,409	5,888,278	1,560,409
(b) Vehicle	5,430,160	3,463,863	5,430,160	3,463,863
(c) Computer & accessories	10,743,811	8,621,885	10,743,811	8,621,885
(d) Office equipment and furniture	11,463,430	10,575,492	11,463,430	10,575,492
(e) Other	1,827,510	1,998,627	1,802,186	1,865,600
Insurance	16,856,137	28,786,826	16,709,847	13,984,392
Postage, telex, telephone and fax	7,155,992	7,808,077	7,092,629	7,735,961
Printing and stationery	24,343,300	18,846,912	24,219,665	18,593,819
Newspaper, books and journals	316,419	277,376	307,517	272,430
Advertisement	36,590,605	46,748,128	36,336,420	45,666,991
Donation	3,390	27,956	-	-
Security expense	74,673,861	67,355,147	74,673,861	67,355,147

Deposit and loan guarantee premium	23,349,387	8,782,694	23,349,387	19,761,193
Travel allowances and expense	6,096,078	10,120,125	6,091,078	10,083,825
Entertainment	875,385	1,890,543	875,385	1,890,543
Annual /special general meeting expense	2,224,122	2,501,627	2,213,280	2,491,795
Other	-	-	-	-
(a) Contract staff expense	42,922,577	39,372,473	42,922,577	39,372,473
(b) Fuel expense	17,691,365	18,684,915	17,511,592	18,572,546
(c) Communication expense	9,307,476	6,768,868	9,307,476	6,768,868
(d) Connectivity expense	23,643,780	20,724,606	23,643,780	20,724,606
(e) Fund transfer expense	1,052,183	1,035,192	1,052,183	1,035,192
(f) Bank charge	6,252,709	6,886,932	6,250,572	6,883,402
(g) Cleaning expense	5,095,880	9,785,747	5,095,880	9,785,747
(h) Consumable goods	6,504,559	2,966,742	3,248,093	2,067,645
(i) Others	-	-	-	-
Total	364,500,454	349,546,869	360,273,395	342,841,572

DEPRECIATION & AMORTIZATION**4.38**

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Depreciation on Property and Equipment	188,997,580	157,879,713	187,334,445	156,203,334
Depreciation on Investment Property	-	-	-	-
Amortisation of Intangible Assets	24,644,837	14,591,044	24,350,227	14,297,820
Total	213,642,418	172,470,757	211,684,673	170,501,154

NON OPERATING INCOME**4.39**

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Recovery of Loan Written Off	43,369,193	939,411	43,369,193	939,411
Other income	115,512,873	27,320,789	126,344,288	76,846,658
Total	158,882,066	28,260,200	169,713,481	77,786,069

NON OPERATING EXPENSES**4.40**

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan Written Off	-	-	-	-
Redundancy Provision	-	-	-	-
Expense of Restructuring	-	-	-	-
Other Expenses	-	575,339	-	575,339
Total	-	575,339	-	575,339

INCOME TAX EXPENSES**4.41**

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current Tax Expenses	476,962,449	778,977,415	469,449,326	776,346,002
Current Year	470,501,612	650,077,059	463,564,250	647,445,646
Adjustments for Prior Years	6,460,836	128,900,356	5,885,076	128,900,356
Deferred Tax Expenses	3,867,197	(63,316,326)	783,210	(61,950,946)
Origination and Reversal of Temporary Differences	3,867,197	(63,316,326)	783,210	(61,950,946)
Changes in Tax Rate	-	-	-	-
Recognition of Previously Unrecognised Tax Losses	-	-	-	-
Total Income Tax Expenses	480,829,645	715,661,088	470,232,536	714,395,056

4.41.1: RECONCILIATION OF TAX EXPENSES AND ACCOUNTING PROFIT

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit before tax	1,705,092,194	2,213,841,461	1,668,737,195	2,177,613,836
Tax amount at tax rate of 30%	511,527,658	664,152,438	500,621,159	653,284,151
Add: Tax effect of expenses that are not deductible for tax purpose				
Capital Items Cost Upto Rs 5,000 Written Off	974,428	620,293	974,428	620,293
Unabsorbed Repairs and Maintenance	971,574	-	971,574	-
Disallowed expense	503,685	120,737	503,685	120,737
Depreciation & Amortization	2,463,358	463,411	2,463,358	463,411
Prior period expense	126,444	-	126,444	-
Deferred grant income	483,631	-	483,631	-
CSR expense	4,021,990	2,135,877	4,021,990	2,135,877
Gratuity & Leave Expense Provision	4,507,062	-	4,366,183	-
Carry forward of unabsorbed loss on shares	-	3,638,821	-	3,638,821
Bond amortization expense	285,693	147,356	285,693	147,356
Other Expenses	35,079	4,884,082	35,079	4,884,082
NFRS Lease expense	3,334,581	1,005,843	3,334,581	1,005,843
NFRS Lease income	68,065	-	68,065	-
Less: Tax effect on exempt income				
Dividend Income	(3,412,274)	(866,486)	(3,293,304)	(866,486)
Add/less: Tax effect on other items	-	-	-	-
Loss/(profit) on Sale of Fixed Asset	1,996,086	217,345	1,996,086	217,345
Gratuity & Leave Expense excess contribution	-	(5,211,546)	-	(5,211,546)
Depreciation & Amortization	-	(1,667,613)	-	(1,667,613)
Recovery of Loan w/off	-	(281,823)	-	(281,823)
Carried forward of unabsorbed business loss	(11,326,623)	(19,563,498)	(11,326,623)	(11,326,623)
Deferred grant income reversal	(284,233)	-	(284,233)	-
Excesss LLP claimed over GAAP LLP	-	281,824	-	281,824
Bargain purchase gain income	(27,263,815)	-	(27,263,815)	-
Last year surrender value income	(1,009,065)	-	(1,009,065)	-
Bond issuance cost	(7,775,719)	-	(7,775,719)	-
Change in fair value of trading assets	(9,370,785)	-	(5,734,946)	-
Prior Period Error effect	6,460,836	128,900,356	5,885,076	128,900,356
Total income tax expense	477,317,655	778,977,415	469,449,326	776,346,002
Effective tax rate	27.99%	35.19%	28.13%	35.65%

CITIZENS BANK INTERNATIONAL LIMITED

Statement of Distributable Profit or Loss
For the year ended July 15, 2020 (Ashadh 31, 2077)

Amount in NPR

PARTICULARS	BANK	
	CURRENT YEAR	PREVIOUS YEAR
NET PROFIT OR (LOSS) AS PER STATEMENT OF PROFIT OR LOSS	1,198,504,659	1,463,218,780
APPROPRIATIONS:		
a. General Reserve	(239,700,932)	(292,643,756)
b. Foreign Exchange Fluctuation Fund	(17,897,978)	-
c. Capital Redemption Reserve	(107,142,857)	(71,428,571)
d. Corporate Social Responsibility Fund	6,871,585	(14,632,188)
e. Employees' Training Fund	-	-
f. Other	-	-
PROFIT OR (LOSS) BEFORE REGULATORY ADJUSTMENT	840,634,478	1,084,514,265
REGULATORY ADJUSTMENT :		
a. Interest Receivable (-)/ Previous Accrued Interest Received (+)	82,625,226	(26,279,833)
b. Short Loan Loss Provision in Accounts (-)/ Reversal (+)	-	-
c. Short Provision for Possible Losses on Investment (-)/ Reversal (+)		
d. Short Loan Loss Provision on Non Banking Assets (-)/ Reversal (+)	99,361,497	64,999,907
e. Deferred Tax Assets Recognized (-)/ Reversal (+)	21,887,741	(20,235,997)
f. Goodwill Recognized (-)/ Impairment of Goodwill (+)		
g. Bargain Purchase Gain Recognized (-)/ Reversal (+)	(90,879,384)	
h. Actuarial Loss Recognized (-)/ Reversal (+)	(17,353,631)	(7,086,997)
i. Other (+/-)		
- Asset Revaluation Reserve	(43,905,624)	
- Unrealised Gain on trading assets measured at Fair Value Through Profit or Loss	(4,114,252)	
- Gain from Investments in Equity Instruments measured at Fair Value to the extent of Loss of Previous Year	-	6,300,000
Distributable Profit or (Loss)	888,256,051	1,102,211,345

CITIZENS BANK INTERNATIONAL LIMITED

Comparison of Unaudited and Audited Financial Statements as of FY 2019/2020

STATEMENT OF FINANCIAL POSITION		AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE	Amount in NPR
				IN AMOUNT	IN %		
ASSETS							
Cash And Cash Equivalents	10,841,970,776	10,841,972,930	2,154	0.00%	Due to adjustment of interest income		
Due from Nepal Rastra Bank	2,430,001,128	2,430,001,128	-	0.00%			
Placement with Bank and Financial Institutions	302,681,924	302,681,924	-	0.00%			
Derivative Financial Instruments	-	1,029,497	1,029,497	100.00%	Due to rectification of error		
Other Trading Assets	83,326,123	90,624,023	7,297,900	8.76%	Reclassification and regrouping of investment		
Loan and Advances to B/FIs	1,534,103,548	1,534,103,548	-	0.00%			
Loan and Advances to Customers	79,169,816,178	78,976,395,245	(193,420,933)	-0.24%	Due to change in impairment provisions		
Investment Securities	11,834,465,007	11,828,332,562	(6,132,445)	-0.05%	Due to change in fair value adjustments		
Current Tax Assets	147,088,331	142,488,502	(4,599,829)	-3.13%	Recomputation and readjustment of tax		
Investment in Subsidiaries	167,204,200	167,204,200	-	0.00%			
Investment in Associates	18,951,500	18,951,500	-	0.00%			
Investment Property	195,532,789	195,532,789	-	0.00%			
Property and Equipment	2,491,635,388	2,554,050,177	62,414,789	2.50%	Due to change in depreciation		
Goodwill and Intangible Assets	77,833,303	75,322,689	(2,510,613)	-3.23%	Due to change in depreciation		
Deferred Tax Assets	-	-	-		Due to change in deferred tax calculation		
Other Assets	1,169,872,713	1,391,992,008	222,119,295	18.99%	Due to Audit adjustments		
Total Assets	110,464,482,906	110,550,682,722	86,199,816				
CAPITAL AND LIABILITIES							
Due to Bank and Financial Institutions	3,688,903,954	3,688,903,954	-	0.00%			
Due to Nepal Rastra Bank	567,577,082	567,577,082	-	0.00%			
Derivative Financial Instruments	549,851	-	(549,851)	-100.00%	Readjustment of previous year figure		
Deposits from Customers	88,516,228,464	88,496,228,464	(20,000,000)	-0.02%	Readjustment of deposit		
Borrowing	-	-	-	0.00%			
Current Tax Liabilities	-	-	-	0.00%			
Provisions	5,307,266	5,306,626	(641)	-0.01%	Readjustment of previous year figure		
Deferred Tax Liabilities	3,026,799	13,613,542	10,586,743	349.77%	Due to change in deferred tax calculation		
Other Liabilities	1,340,504,307	1,386,951,527	46,447,220	3.46%	Due to Audit adjustments		
Debt Securities Issued	2,974,159,468	2,974,381,302	221,834	0.01%	Due to change in amortization of bond		
Subordinated Liabilities	-	-	-	0.00%			
Total Liabilities	97,096,257,191	97,132,962,497	36,705,306				

EQUITY						
Share Capital	9,089,817,290	9,089,817,290	-	0.00%		
Share Premium	4,124,402	4,124,402	-	0.00%		
Retained Earnings	877,471,929	931,156,947	(53,685,017)	-6.12%		Due to change in net profit and equity movement from reserves to retained earnings
Reserves	3,396,812,095	3,392,621,587	4,190,507	0.12%		Due to change in regulatory reserves and other reserves after change in accrued interest income, deferred tax and actuary valuation
Total Equity	13,368,225,715	13,417,720,225	49,494,510			
Total Liabilities and Equity	110,464,482,906	110,550,682,722	86,199,816			
STATEMENT OF PROFIT OR LOSS						
Interest Income	9,486,239,606	9,489,525,338	(3,285,732)	-0.03%		Change in recognition of interest income on accrual basis
Interest Expenses	(6,604,549,887)	(6,604,771,721)	221,834	0.00%		Due to change in amortization expense of bond
Net Interest Income	2,881,689,719	2,884,753,617	3,063,898	0.11%		
Fees and Commission Income	582,238,214	582,213,590	24,625	0.00%		Reclassification of fees and commission income
Fees and Commission Expenses	(65,876,657)	(57,731,667)	(8,144,990)	12.36%		Reclassification of fees and commission expense
Net Fees and Commission Income	516,361,557	524,481,923	8,120,365	1.57%		
Net Interest, Fee and Commission Income	3,398,051,277	3,409,235,540	11,184,263	0.33%		
Net Trading Income	270,838,052	281,338,052	(10,500,000)	-3.88%		
Other Operating Income	99,668,481	100,102,839	(434,358)	-0.44%		Regrouping and reclassification of other operating income
Total Operating Income	3,768,557,809	3,790,676,430	22,118,621	0.59%		
Impairment Charge/ (Reversal) for Loans and Other Losses	(677,297,286)	(640,133,259)	(37,164,028)	5.49%		Due to change in loan loss provision
Net Operating Income	3,091,260,523	3,150,543,170	59,282,649	1.92%		
Operating Expenses			-			
Personnel Expenses	(928,372,356)	(935,254,564)	6,882,208	-0.74%		Due to change in staff bonus amount
Other Operating Expenses	(496,378,372)	(504,580,220)	8,201,848	-1.65%		Due to regrouping of other operating expense
Depreciation & Amortization	(211,768,608)	(211,684,673)	(83,935)	0.04%		Due to change in depreciation workings
Operating Profit	1,454,741,187	1,499,023,715	44,282,528	3.04%		
Non Operating Income	122,572,592	169,713,481	(47,140,888)	-38.46%		Readjustment of bargain purchase gain income
Non Operating Expenses	-	-	-			
Profit Before Income Tax	1,577,313,779	1,668,737,195	91,423,416	5.80%		
Income Tax Expenses			-			
Current Tax	(462,854,948)	(469,449,326)	6,594,378	-1.42%		Due to change in various income and expense as stated above
Deferred Tax	1,581,499	(783,210)	2,364,709	149.52%		Due to change in valuation of investment securities
Profit/ (Loss) for the Period	1,116,040,331	1,198,504,659	82,464,328	7.39%		

Other Comprehensive Income	59,375,712	37,103,214	22,272,498	37.51%	Due to change in fair value of investment securities and actuary calculation
Total Comprehensive Income	1,175,416,043	1,235,607,873	60,191,830	5.12%	
Distributable Profit					
Net Profit/ (Loss) as per Profit or Loss	1,116,040,331	1,198,504,659	82,464,328	7.39%	Due to change in profit and changes in appropriation to regulatory reserves
Add/ Less: Regulatory Adjustment as per NRB Directive	(292,040,819)	(310,248,608)	18,207,790	-6.23%	Due to change in profit and changes in appropriation to regulatory reserves
Free Profit/ (Loss) after Regulatory Adjustments	823,999,512	888,256,051	64,256,539	7.80%	

5. DISCLOSURES AND ADDITIONAL NOTES

5.1. RISK MANAGEMENT

Information presented hereunder is as per disclosure requirements of the Capital Adequacy Framework issued by NRB. Disclosures are in respect of the stand-alone capital adequacy of the Bank.

1. Overview of Risk

Risk refers to the chance of financial and reputational losses due to random changes (uncertainty) in underlying risk factors. It is the discipline which makes us identify, measure, mitigate and control the risks and returns arising from various portfolios and transactions in order to design optimal business strategies.

- Bank recognizes the importance of Risk Management and has accordingly invested in processes, people and a management structure. Overall risk management function of the Bank is supervised by Risk Management Committee and Internal Audit Committee represented by BOD members and Senior Executives. Risk Management Committee reviews the asset quality at frequent intervals and Internal Audit Committee provides assurance that the internal control systems of the Bank are in place. The human capital is also managed by Human Resource Management and Compensation Committee represented by BOD members and Senior Executives. There is Assets and Liabilities Management Committee (ALCO) represented by Senior Executives of the Bank to monitor the interest rate risk, liquidity risk, exchange risk, market risk, etc. Authority, responsibility and accountability has been fixed to the executives of the Bank. Product policies and programs are duly approved before any new product launches and are reviewed regularly.
- Credit Risk Management Department analyzes the inherent risks in a particular product. As such the Bank has drawn a clear demarcation between the Credit Business Unit (CBU) and the Risk Management Unit (RMU). A lending process completes once it undergoes both of these units, one business generating the other risk monitoring and controlling. The Bank has standard Credit Policies Guidelines that define the Bank's credit policies, risk mitigating measures, and the single obligor limit.
- Credit risk mitigants used by the Bank are deposit of the borrower within the Bank, cash margin and deposit with other banks and financial institutions applying supervisory haircut of 20% for capital adequacy. Such mitigants have minimum impact on the overall capital adequacy of the Bank.

5. Credit risk

Credit risk is the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk is most likely caused by loans, acceptances, interbank transactions, trade financing, foreign exchange transactions, financial futures, swaps, bonds, equities, options, and in the extension of commitments and guarantees, and the settlement of transactions. In simple words, if person A borrows loan from a bank and is not able to repay the loan because of inadequate income, loss in business, death, unwillingness or any other reasons, the bank faces credit risk. Similarly, if you do not pay your credit card bill, the bank faces a credit risk. Hence, to minimize the credit risk on the bank's end, the rate of interest will be higher for borrowers if they are associated with high credit risk. Factors like unsteady income, low credit score, employment type, collateral assets and others determine the credit risk associated with a borrower. As stated earlier, credit risk can be associated with interbank transactions, foreign transactions and other types of transactions happening outside the bank. If the transaction at one end is successful but unsuccessful at the other end, loss occurs. If the transaction at one end is settled but there are delays in settlement at the other end, there might be lost investment opportunities.

6. Market Risk

Market risk is the risk of losses in the bank's trading book due to changes in equity prices, interest rates, credit spreads, foreign-exchange rates, commodity prices, and other indicators whose values are set in a public market. It is the risk of losses in on- or off-balance sheet positions that arise from movement in market prices. Market risk is prevalent mostly amongst banks that are into investment banking since they are active in capital markets.

Market risk can be better understood by dividing it into 4 types, depending on the potential cause of the risk:

- Interest rate risk: Potential losses due to fluctuations in interest rate
- Equity risk: Potential losses due to fluctuations in stock price
- Currency risk: Potential losses due to international currency exchange rates (closely associated with settlement risk)
- Commodity risk: Potential losses due to fluctuations in prices of agricultural, industrial and energy commodities like wheat, copper and natural gas respectively.

7. Operational risk:

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk, but excludes strategic and reputation risk. Operational risk can widely occur in banks due to human errors or mistakes.

Operational Risk is the risk of negative effects on the financial result and capital of the bank caused by omissions in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems, and unforeseeable external events.

Risk events are associated with people; process and technology involved with the product and may be recognized by:

- i) Experience of past events
- ii) Judgements
- iii) Linked events such as loss from market/ credit risks
- iv) Intuition
- v) Regulatory requirement of recognition of specified events
- vi) Breaches in systems and procedures

8. Liquidity Risk:

Liquidity risk is the risk that a bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process. Financial institutions are also scrutinized to determine whether they can meet their debt obligations without realizing great losses. Institutions face strict compliance requirements and stress tests that indicate their financial stability.

In other words, liquidity is crucial to the ongoing viability of any financial institution. The capital positions can have a telling effect on institution's ability to obtain liquidity, especially in a crisis. Each bank must have adequate systems for measuring, monitoring and controlling liquidity risk. Banks should evaluate the adequacy of capital given their own liquidity profile and the liquidity of the markets in which they operate. Banks are also encouraged to make use of stress testing to determine their liquidity needs and the adequacy of capital.

5.2. CAPITAL MANAGEMENT

Qualitative Disclosures

In compliance with the regulatory requirement of increasing the capital base as prescribed by the Central Bank, the Bank is comfortable in meeting the minimum capital requirements and is strongly positioned to meet the performance benchmarks.

Quantitative Disclosures

A. TIER 1 CAPITAL AND A BREAKDOWN OF ITS COMPONENTS

TIER 1 CAPITAL (CORE CAPITAL) (CET1 + AT1)	AMOUNT IN NPR
Common Equity Tier 1 (CET 1)	12,101,254,773
Paid up Equity Share Capital	9,089,817,290
Equity Share Premium	4,124,402
Proposed Bonus Equity Shares	-
Statutory General Reserves	1,883,594,324
Retained Earnings	931,156,947
Un-audited current year cumulative profit/ (loss)	
Capital Redemption Reserve	500,000,000
Capital Adjustment Reserve	-
Dividend Equalization Reserves	-
Bargain Purchase Gain	-
Other Free Reserve	-
Less: Goodwill	-
Less: Intangible Assets	(75,322,689)
Less: Deferred Tax Asset	-
Less: Fictitious Assets	-
Less: Investment in Equity in licensed Financial Institutions	-
Less: Investment in Equity in institutions with financial interests	(167,204,200.00)
Less: Investment in Equity of institutions in excess of limits	-
Less Investments arising out of underwriting commitments	-
Less: Reciprocal crossholdings	-
Less: Purchase of land & building in excess of limit and unutilized	(40,470,671)
Less: Cash Flow Hedge	-
Less: Defined Benefit Pension Assets	-
Less: Unrecognized Defined Benefit Pension Liabilities	-
Less: Negative Balance of Reserve Account	(24,440,628)
Less: Other Deductions	-
ADJUSTMENT UNDER PILLAR II	-
Less: Shortfall in Provision (6.4 a 1)	-
Less: Loans and Facilities extended to Related Parties and Restricted Lending (6.4 a 2)	-
Additional Tier 1 (AT1)	-
Perpetual Non Cumulative Preference Share Capital	-
Perpetual Debt Instruments	-
Stock Premium	-
Tier 1 Capital (Core Capital) (CET1 + AT1)	12,101,254,773

B. TIER 2 CAPITAL AND A BREAKDOWN OF ITS COMPONENTS

TIER 2 CAPITAL (SUPPLEMENTARY CAPITAL)	AMOUNT IN NPR
Cumulative and / or Redeemable Preference Share	-
Subordinated Term Debt	2,600,000,000
Hybrid Capital Instruments	
Stock Premium	
General Loan Loss Provision	704,384,245
Exchange Equalization Reserve	58,907,315
Investment Adjustment Reserve	
Assets Revaluation Reserve	
Other Reserves	-
Supplementary Capital (Tier 2)	3,363,291,560

C. DETAILED INFORMATION ABOUT THE SUBORDINATED TERM DEBT WITH INFORMATION ON THE OUTSTANDING AMOUNT, MATURITY, AMOUNT RAISED DURING THE YEAR AND AMOUNT ELIGIBLE TO BE RECKONED AS CAPITAL FUNDS

8.5% CITIZENS BANK BOND, 2077	AMOUNT IN NPR
Outstanding Amount	500,000,000
Maturity Date	Poush 2077
Amount raised during the year	-
Amount eligible for Tier 2 Capital Fund (net of redemption reserve)	100,000,000

The Bank has created debenture redemption reserve each year proportionately in the total duration of the Bond, starting from Poush 2070. The current balance of Redemption Reserve stands at NPR 500 Million.

10.25% CITIZENS BANK BOND, 2086	AMOUNT IN NPR
Outstanding Amount	2,500,000,000
Maturity Date	Chaitra 2086
Amount raised during the year	2,500,000,000
Amount eligible for Tier 2 Capital Fund (net of redemption reserve)	2,500,000,000

D. DEDUCTION FROM CAPITAL

The Bank has deducted the following items in calculation of Tier 1 Capital:

- NPR 75.32 Million Intangible Assets.
- NPR 167.20 Million invested in equity capital of subsidiary company. Out of NPR 167.20 Million, NPR 117.20 million is invested in CBIL Capital Limited and NPR 50 million is invested in CBIL Securities Limited.
- NPR 40.47 Million for unutilized portion of land and building for more than 2 years from the date of acquisition/ purchase.
- NPR 24.44 Million Negative Balance of Reserve account.

E. TOTAL QUALIFYING CAPITAL

DESCRIPTION	AMOUNT IN NPR
Common Equity Tier 1 Capital (CET 1)	12,101,254,773
Tier 1 Capital	12,101,254,773
Tier 2 Capital	3,363,291,560
Total Capital Fund (Tier 1 and Tier 2)	15,464,546,333
Risk Weighted Exposures	102,129,237,727

F. CAPITAL ADEQUACY RATIO

DESCRIPTION	AMOUNT IN NPR
Leverage Ratio	9.19%
Common Equity Tier 1 Capital to Total Risk Weighted Exposures Ratio	11.85%
Tier 1 Capital to Total Risk Weighted Exposures Ratio	11.85%
Total Capital to Total Risk Weighted Exposures Ratio	15.14%

RISK WEIGHTED EXPOSURES**G. RISK WEIGHTED EXPOSURES FOR CREDIT RISK, MARKET RISK AND OPERATIONAL RISK**

RISK WEIGHTED EXPOSURES	AMOUNT IN NPR
Risk Weighted Exposure for Credit Risk	94,026,492,673
Risk Weighted Exposure for Operational Risk	4,149,537,918
Risk Weighted Exposure for Market Risk	762,168,038
Add: 2% of RWE as Supervisory Haircut	1,978,763,973
Add: 4% of Operational Risk as Supervisory Haircut	1,212,275,126
Total Risk Weighted Exposures (after Bank's adjustments of Pillar II)	102,129,237,727

H. RISK WEIGHTED EXPOSURES UNDER EACH 11 CATEGORIES OF CREDIT RISK

RISK WEIGHTED EXPOSURES	AMOUNT IN NPR
Categories of Credit Risk	
Claims on Government and Central Bank	-
Claims on Other Official Entities	-
Claims on Banks	2,290,537,897
Claims on Corporate and Securities Firms	47,465,277,455
Claims on Regulatory Retail Portfolio	12,456,458,606
Claims secured by Residential Properties	3,098,320,478
Claims secured by Commercial Real Estate	1,861,287,156
Past Due Claims	836,677,905
High Risk Claims	10,432,265,175
Other Assets	6,852,279,627
Off Balance Sheet Items	8,733,388,373
Total Credit Risk Weighted Exposures	94,026,492,673

I. TOTAL RISK WEIGHTED EXPOSURE CALCULATION TABLE

RISK WEIGHTED EXPOSURES	AMOUNT IN NPR
Credit Risk Exposure	94,026,492,673
Operational Risk Exposure	4,149,537,918
Market Risk Exposure	762,168,038
Adjustments under Pillar II	
Add: 2% of RWE as Supervisory Haircut	1,978,763,973
Add: 4% of Operational Risk as Supervisory Haircut	1,212,275,126
Total Risk Weighted Exposures	102,129,237,727
Total Core Capital (CET1 + AT1)	12,101,254,773
Total Capital Fund (Tier 1 and Tier 2)	15,464,546,333
Common Equity Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	11.85%
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	11.85%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	15.14%

J. AMOUNT OF NON-PERFORMING ASSETS AS PER REGULATORY CLASSIFICATION

AMOUNT IN NPR

PARTICULARS	GROSS AMOUNT	PROVISION	NET AMOUNT
Rescheduled / Restructured		-	-
Sub Standard	63,137,483	11,940,752	51,196,731
Doubtful	487,130,008	240,792,138	246,337,870
Loss	710,394,405	710,001,247	393,158
Total	1,260,661,896	962,734,137	297,927,759

K. RATIO OF NON PERFORMING ASSETS AS PER REGULATORY CLASSIFICATION

PARTICULARS	PERCENTAGE
Total NPL to Total Loans & Advances	1.55%
Net NPL to Net Loans & Advances	0.38%

L. MOVEMENT OF NON PERFORMING ASSETS AS PER REGULATORY CLASSIFICATION

AMOUNT IN NPR

Particulars	Previous Year	Current Year	Change
Rescheduled / Restructured	-	-	-
Sub Standard	84,497,708	63,137,483	-25.28%
Doubtful	87,456,011	487,130,008	457.00%
Loss	561,117,551	710,394,405	26.60%
Total	733,071,270	1,260,661,896	71.97%

M. WRITE OFF OF LOANS AND INTEREST SUSPENSE

AMOUNT IN NPR

Particulars	Previous Year	Current Year	Change
Loan written off	-	-	-
Interest Suspense written off	124,544,429	126,444,014	1.53%

N. MOVEMENTS IN LOAN LOSS PROVISION AND INTEREST SUSPENSE

AMOUNT IN NPR

PARTICULARS	PREVIOUS YEAR	CURRENT YEAR	CHANGE	
			AMOUNT	%
Loan Loss Provision	1,306,004,419	2,048,883,949	742,879,530	56.88
Interest Suspense	883,179,181	1,388,982,964	505,803,783	57.27

O. DETAILS OF ADDITIONAL LOAN LOSS PROVISION AS PER REGULATORY CLASSIFICATION

AMOUNT IN NPR

PARTICULARS	PREVIOUS YEAR	CURRENT YEAR	ADDITIONAL PROVISION IN CURRENT YEAR	CHANGE IN %
Pass Loan	618,342,565	709,155,800	90,813,235	14.69%
Watchlist	64,538,109	376,994,012	312,455,903	484.14%
Rescheduled / Restructured	-	-	-	-
Sub Standard	19,540,618	11,940,752	(7,599,866)	-38.89%
Doubtful	43,215,576	240,792,138	197,576,562	457.19%
Loss	560,367,551	710,001,247	149,633,696	26.70%
Additional	-	-	-	-
Total	1,306,004,419	2,048,883,949	742,879,530	56.88%

P. SEGREGATION OF INVESTMENTS PORTFOLIO

PARTICULARS	AMOUNT IN NPR
Investment securities measured at amortized cost	11,321,053,597
Investment in equity measured at FVTOCI	507,278,965
Trading Assets	90,624,023
Total	11,918,956,585

Q. SUMMARY OF THE BANK'S INTERNAL APPROACH TO ASSESS THE ADEQUACY OF ITS CAPITAL TO SUPPORT CURRENT AND FUTURE ACTIVITIES, IF APPLICABLE

The current paid up capital of the Bank stands at NPR 9,089,817,290.

R. SUMMARY OF THE TERMS, CONDITIONS AND MAIN FEATURES OF ALL CAPITAL INSTRUMENTS, SPECIALLY IN CASE OF SUBORDINATED TERM DEBTS, INCLUDING HYBRID CAPITAL INSTRUMENTS

All the capital of the Bank are unconditional. The Bank has Subordinated Debt of 500,000 8.5% Citizens Bank Bond, 2077, the main features of which are as under:

NAME	8.5% CITIZENS BANK BOND, 2077
Amount	NPR 500,000,000
Interest Rate	8.5% per annum (before tax) payable quarterly
Type	Unsecured and Redeemable at Maturity, No call / convertible feature
Numbers of Debentures	500,000 (Five Hundred Thousand Only)
Face Value	NPR 1,000
Maturity Period	7 Years
Priority to Debenture Holders	At the time of liquidation, priority of payment to the debenture holders will be after the depositors and secured creditors
Listing	Listed with Nepal Stock Exchange

The Bank has created debenture redemption reserve each year proportionately in the total duration of the Bond, starting from Poush 2070 The current balance of Redemption Reserve stands at NPR 500Million.

The Bank has Subordinated Debt of 2,500,000 10.25% Citizens Bank Bond, 2086, the main features of which are as under:

NAME	10.25% CITIZENS BANK BOND, 2086
Amount	NPR 2,500,000,000
Interest Rate	10.25% per annum (before tax) payable quarterly
Type	Unsecured and Redeemable at Maturity No call / convertible feature
Numbers of Debentures	2,500,000 (Twenty Five Hundred Thousand Only)
Face Value	NPR 1,000
Maturity Period	10 Years
Priority to Debenture Holders	At the time of liquidation, priority of payment to the debenture holders will be after the depositors and secured creditors.
Listing	Listed with Nepal Stock Exchange

5.3. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair values of the financial instruments of the group are done by referring to externally quoted prices or observable/ unobservable pricing inputs, in accordance with the following hierarchy:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 portfolios are those where there are unobservable inputs of the instruments. The inputs are not based on observable market data.

This fair value may differ from the actual amount that may be received or paid on settlement, realization or maturity of those financial instruments.

Following table demonstrates the valuation hierarchy wise fair values of financial instruments of the Group:

AMOUNT IN NPR

Financial Assets	Bank				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments								
Forward Exchange Contract		1,029,497		1,029,497		1,029,497		1,029,497
Other Trading Assets								
Quoted Equities	90,486,668			90,486,668	136,722,818			136,722,818
Unquoted Equities								
Investment Securities								
Investment securities measured at amortized cost								
Treasury Bills			1,144,815,249	1,144,815,249			1,144,815,249	1,144,815,249
Government Securities			10,176,238,348	10,176,238,348			10,176,238,348	10,176,238,348
Investment in equity measured at FVTOCI								
Quoted Equities	300,900,000	201,328,104		502,228,104	300,900,000	201,328,104		502,228,104
Unquoted Equities			5,050,861	5,050,861			5,050,861	5,050,861
Total	391,386,668	202,357,601	11,326,104,458	11,919,848,727	437,622,818	202,357,601	11,326,104,458	11,966,084,877
Financial Liabilities								
Derivative Financial Instruments								
Total								

***Investments made in promoter shares of Prabhu Insurance Limited, Mero Micro finance Laghubitta Bittiya Sanstha Limited and Aarambha Chautari Laghubitta Bittiya Sanstha Limited has been valued at 50% of price of ordinary share.*

Financial Assets and Liabilities not carried at Fair Value

There are financial assets and liabilities that are not measured at fair value due to lack of observable pricing inputs or external quoted price and their carrying amount best represents and approximates the fair value or the settlement value.

Following table demonstrates the financial assets and liabilities of the Group not carried at fair value:

AMOUNT IN NPR		
FINANCIAL ASSETS	BANK	GROUP
Cash and cash equivalents	10,841,972,930	10,847,179,498
Due from Nepal Rastra Bank	2,430,001,128	2,430,001,128
Placement With Bank And Financial Institutions	302,681,924	302,681,924
Loans And Advances To B/FIs	1,534,103,548	1,534,103,548
Loans And Advances To Customers	78,976,395,245	78,976,395,245
Other Assets	1,391,992,008	1,414,650,846
Total	95,477,146,783	95,505,012,189
FINANCIAL LIABILITIES	BANK	GROUP
Due To Bank And Financial Institutions	3,688,903,954	3,688,903,954
Due To Nepal Rastra Bank	567,577,082	567,577,082
Deposits From Customers	88,496,228,464	88,173,854,887
Other Liabilities	1,386,951,527	1,551,825,562
Debt Securities Issued	2,974,381,302	2,974,381,302
Total	97,114,042,329	96,956,542,787

5.4. OPERATING SEGMENT INFORMATION

1. GENERAL INFORMATION

A. Factors that management used to identify the entity's reportable segments

The Bank has identified the reportable segment as the business activities from which it earns revenues and incurs expenses, including revenues and expenses that relating to transactions with any of the Group's other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance.

The Bank comprises the following major business segments on the nature of products and services of the Bank:

- Banking,
- Treasury,
- Cards and
- Remittance

Segment results that have been reported include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

B. Factors that management used to identify the entity's reportable segments

I. Banking

This segment includes all existing branches. The major product and service of this segment is loans and deposits. The segment generates its revenue from its interest on loan and major expense comprises the interest expense.

II. Treasury

This segment primarily includes the investments in securities, bonds, treasury bills and dealing in the foreign currencies and gold, silvers, etc. The segment generates its revenue from the interest on bonds, debentures, income from sale of gold, gain on foreign exchange and gain on the revaluation of investments, etc.

III. Cards

This segment introduces new innovation on digital banking and transactional banking. Introduction of credit card, debit card, e-wallet, e-banking, etc. are its major products and the segment generates its revenue from the registration fee, application charge, annual maintenance charge, commission from agents, etc.

IV. Remittance

This segment collects remittances from abroad through various agencies and transfers to the customers after collecting the charges/ commission. Major source of income is commission received from the agents for the collection and distribution to the customers.

2. INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES

AMOUNT IN NPR '000

S.N.	PARTICULARS	BANKING	TREASURY	CARD	REMITTANCE	TOTAL
(a)	Revenues from External Customers	537,839	171	28,950	13,353	580,314
(b)	Expenses to External Customers	(34,377)	(7,333)	(17,231)	(2,782)	(61,723)
(c)	Intersegment Revenues	-	-	-	-	-
(d)	Net Revenue	503,463	(7,162)	11,719	10,572	518,592
(e)	Interest Revenue	8,866,538	612,922	10,065	-	9,489,525
(f)	Interest Expense	(6,361,874)	(242,882)	-	-	(6,604,756)
(g)	Net Interest Revenue (b)	2,504,664	370,041	10,065	-	2,884,769
(h)	Other Income	33,018	350,514	123	6,386	390,040
(i)	Depreciation and Amortization	(100,262)	(714)	(1,012)	(53)	(102,041)
(j)	Other Expenses	(750,968)	5,495	(11,989)	(4,213)	(761,674)
(k)	Segment Profit	2,189,914	718,174	8,906	12,692	2,929,686
(l)	Entity's Interest in the Profit or Loss of Associates accounted for using Equity Method					-
(m)	Other material non-cash item					-
(n)	Impairment of Assets	(640,133)				(640,133)
(o)	Segment Assets	95,294,815	4,134,156	41,619	20,829	99,491,419
(p)	Segment Liabilities	92,827,144	3,560,852	32,713	8,137	96,428,847

Notes having brief description for above items are provided below:

- a) **Revenues from External Customers:** Revenue from external customers have been segregated according to the nature of segment.
- b) **Expenses to External Customers:** Expenses to external customers have been segregated according to the nature of segment.
- c) **Intersegment Revenues:** Bank accounts for intersegment revenue as per predetermined inter branch transaction rate.
- d) **Net Revenue:** Net revenue is revenue from external customers less expenses to external customers.
- e) **Interest Revenue:** Interest revenue has been presented separately for revenue from loans and advances and interest income from investments.
- f) **Interest Expense:** Interest expense has been apportioned on the basis of interest revenue.
- g) **Net Interest Revenue:** Net interest revenue is interest revenue less interest expenses.
- h) **Other Income:** Income other than income from regular operations.
- i) **Depreciation and Amortization:** Depreciation and amortization have been segmented according to the types of segments.
- j) **Other Expenses:** Expenses other than direct operational expenses.
- k) **Segment Profit:** Net profit derived from segments other than allocated to specific segments.
- l) **Entity's Interest in the Profit or Loss of Associates accounted for using Equity Method:** Separately disclosed in notes.
- m) **Other material non-cash item:** Bank does not have any non-cash assets.
- n) **Impairment of Assets:** Impairment has been allocated to specific segments.
- o) **Segment Assets:** Allocated in accordance with nature of assets.
- p) **Segment Liabilities:** Allocated in accordance with nature of liabilities.

3. MEASUREMENT OF OPERATING SEGMENT PROFIT OR LOSS, ASSETS AND LIABILITIES

a) Basis of accounting for any transactions between reportable segments

The intersegment revenue has been distributed between segments on the basis of pre-determined sharing ratio determined on the basis of resources used of the service providing segment and the segment to which the product or service belongs to. Such revenues are included in core revenue of the segment as allocation of revenue and not included in intersegment revenue. No any other notional intersegment pricing has been done.

b) Nature of any differences between the measurements of the reportable segments' profits or losses and the entity's profit or loss before income tax

Not Applicable

c) Nature of any differences between the measurements of the reportable segments' assets and the entity's assets

Not Applicable

d) Nature of any changes from prior periods in the measurement methods used to determine reported segments' profit or loss and the effect, if any, and

Not Applicable

e) Nature and effect of any asymmetrical allocations to reportable segments

There are no asymmetrical allocations to reportable segments. The incomes, expenses, assets and liabilities that are not identifiable to particular segment have not been allocated. The unallocated items comprise mainly corporate assets (primarily the Bank's corporate building), head office expenses, share capital, General reserves and tax assets and liabilities and prepaid expenses and provision for expenses.

4. RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES

(A)	REVENUE	AMOUNT IN NPR '000
	Total revenues for reportable segments	3,403,361.03
	Other revenues	390,040.48
	Elimination of intersegment revenues	-
	Entity's Revenue	3,793,401.51

(B)	PROFIT OR LOSS	AMOUNT IN NPR '000
	Total profit or loss for reportable segments	2,929,685.90
	Other profit or loss	(640,133.26)
	Elimination of intersegment profits	-
	Unallocated amounts	(620,799.77)
	Profit Before Income Tax	1,668,752.87

(C)	ASSETS	AMOUNT IN NPR '000
	Total assets for reportable segments	99,491,419.49
	Other assets	-
	Unallocated amounts	11,059,263.23
	Entity's Assets	110,550,682.72

(D)	LIABILITIES	AMOUNT IN NPR '000
	Total liabilities for reportable segments	96,428,846.99
	Other liabilities	-
	Unallocated liabilities	704,115.50
	Entity's Liabilities	97,132,962.50

5. INFORMATION ABOUT PRODUCTS AND SERVICES

Revenue from each type of product and services described in point no. 1(a) above:

S.N.	PARTICULARS	AMOUNT IN NPR '000
(a)	Banking	3,008,126
(b)	Treasury	362,879
(c)	Card	21,784
(d)	Remittance	10,572
	Total	3,403,361

6. INFORMATION ABOUT GEOGRAPHICAL AREAS

The operations of the Bank could be segmented on the basis of geographical presence in each of the Provinces. However, the Province wise results do not constitute major role in the decision making process of the management.

7. INFORMATION ABOUT MAJOR CUSTOMERS

No any single external customer revenue amounts to 10 percent or more of the Bank's revenue.

5.5 SHARE OPTIONS AND SHARE BASED PAYMENT

The Bank has not issued share options and share based payments during the reporting period.

5.6 CONTINGENT LIABILITIES AND COMMITMENT

Contingent liabilities are given in Note 4.28 of Statement of Financial Position.

5.7 RELATED PARTY DISCLOSURE

5.7.1 RELATED PARTY DISCLOSURE OF THE BANK

The related parties of the Bank which meets the definition of related parties as defined in "NAS 16 Related Party Disclosures" are as follows:

Key Management Personnel (KMP)

The key management personnel are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. The key management of the Bank includes members of its Board of Directors, Chief Executive Officer and other higher level employee of the Bank. The name of the key management personnel who were holding various positions in the office during the year were as follows:

NAME OF THE KEY MANAGEMENT PERSONNEL	POST
Mr. Rajan Singh Bhandari	BOD Chairman
Mr. Prakash Chandra Mainali	Director
Mr. Bijaya Dhoj Karki	Director
Mrs. Seeta Karki (K.C.)	Director
Mr. Prabal Jung Pandey	Director
Mr. Sajjan Sharma	Director
Mr. Sudesh Khaling Rai	Professional Director
Mr. Ganesh Raj Pokharel	Chief Executive Officer
Mr. Bodh Raj Devkota	Deputy Chief Executive Officer
Mr. Sumit Babu Khatri	Assistant Chief Executive Officer
Mr. Ramdhan Shrestha	Assistant Chief Executive Officer
Mr. Rajendra Lal Shrestha	Assistant Chief Executive Officer
Mr. Paras Kumar Kafle	Assistant Chief Executive Officer
Ms. Umang Sharma	Assistant Chief Executive Officer
Mr. Sanjeeb Kumar Shrestha	Chief IT Officer
Mr. Pramesh Raj Kayastha	Chief Finance Officer

Subsidiary Company

Name and percentage of shareholding in Subsidiary Company is as below:

S.N.	PARTICULARS	SHAREHOLDING %
a.	CBIL Capital Ltd.	58.60%
b.	CBIL Securities Ltd.	100%

Associate Companies

S.N.	PARTICULARS	SHAREHOLDING %
a.	Nepal Electronic Payment Systems Ltd.	9.09%
b.	Nepal Clearing House Ltd.	1.97%

Fund Sponsor

S.N.	PARTICULARS	SHAREHOLDING %
a.	Citizens Mutual Fund- I	
b.	Citizens Mutual Fund- II	

i. Compensation to Key Management Personnel

The members of Board of Directors are entitled for meeting allowances. Salary and allowances are provided to Chief Executive Officer and other member of Key Management Personnel (KMP). Salary and allowances paid to the Chief Executive Officer is based on the contract entered by the Bank with him whereas, compensation paid to other members of KMP are governed by Employee Byelaws and decisions made by management from time to time in this regard. In addition to salaries and allowances, non-cash benefits like vehicle facility, subsidized rate employees loan, termination benefits are also provided to KMP.

The details relating to compensation paid and expenses incurred to key management personnel (directors only) were as follows:

PARTICULARS	CURRENT YEAR (NPR)
Meeting Fees	3,528,000
Other Board Facility	841,000
Other Expenses	470,357
Total	3,667,389

The details relating to compensation paid to key management personnel (CEO only) were as follows:

PARTICULARS	CURRENT YEAR (NPR)
Short term employee benefits	17,592,581
Post employment benefits*	840,000
Other long term benefits**	-
Total	18,432,581

The details relating to compensation paid to key management personnel other than directors and CEO were as follows:

PARTICULARS	CURRENT YEAR (NPR)
Short term employee benefits	36,100,770
Post employment benefits*	1,208,016
Other long term benefits**	-
Total	37,308,786

* Post employment benefits include Provident Fund and Gratuity. Provident Fund is deposited in an independent institution and Gratuity is provided for as per actuarial valuation against which investment is made in an independent planned asset.

** Other long term employment benefit includes Home Leave and Sick Leave encashment over and above the accumulation limit set as per Employee Byelaws of the Bank.

*** KMP also gets accidental and medical insurance, vehicle, fuel, lunch and mobile facilities as per Employee Byelaws of the Bank.

ii. Transaction with Subsidiary**CBIL Capital Limited**

The Bank has made strategic investment to broaden the scope of service and source of income by investing in share capital of CBIL Capital Limited, which is the Subsidiary company of the Bank. The Bank holds 58.60% controlling interest in the Subsidiary. Similarly, the Bank had deputed the managerial level staff as the Chief Executive Officer of the Subsidiary till May 02, 2019 and ACEO of the Bank is the Chairman of CBIL Capital Ltd. 2 Senior managers of the Bank are directors of the Subsidiary.

The Subsidiary is engaged in Merchant Banking Services.

1. The Bank has entered into a Management Service Agreement (MSA) with Subsidiary for providing management services. Provisions laid in MSA are in line with arms-length principle.

2. An agreement has been made between the Bank and the Subsidiary Company to provide following facilities to Subsidiary Company by the Bank for a monthly fee of NPR 600,000:
 - a) The Bank has the right to appoint the CEO of CBIL Capital Ltd.
 - b) The Bank provides technical assistance required for computer hardware, software and network maintenance.
 - c) Internal audit team of the Bank will handle all audit work of its Subsidiary and will submit quarterly report to its Audit Committee.
 - d) Bank has also agreed to provide legal consultancy and vehicle facility to the Subsidiary Company.
 - e) The Bank also provides investment management services through the Bank's branch network.
3. Similarly, Bank has rented its building located in Dillibazaar, Kathmandu to the Subsidiary Company with the agreement to pay Monthly Rent of NPR 110,000 till Magh 2076 which was revised from Falgun 2076 with monthly rent of NPR 90,750, which will be increased by 10% in every 2 years.
4. All receipt and payment transactions entered into by the Bank with Subsidiary were made net of TDS. TDS has been duly deposited at Tax Office.
5. CBIL Capital Ltd holds deposit accounts with the Bank which has a balance of NPR 269,046,619.90 as on July 15, 2020 (Ashadh 31, 2077).
6. The overall transactions with the Subsidiary included in financial statements of the Bank has been tabulated below:

PARTICULARS	NPR
Statement of Profit or Loss	
Rental Income	1,284,415
Management Fee Income	7,200,000
Server & Database Rental Income	2,200,000
Dividend Income	-
Interest Income	
Interest on advance to Subsidiary	-
Fees and Commission	147,000
Total Income	10,831,415
Interest Paid to Subsidiary	15,806,547
RTS fee to Subsidiary	804,444
Total Expenses	16,610,991
Statement of Financial Position	
Deposit of Subsidiary	269,046,619
Advance to Subsidiary	-
Dividend payable to Shareholders of the Bank held on behalf of the Bank by the Subsidiary	132,143,494

The following table summarizes the financial information of CBIL Capital Limited in its own financial statements:

PARTICULARS	NPR
Non Current Assets	103,952,453
Current Assets	290,738,365
Non Current Liabilities	365,862
Current Liabilities	164,479,922
Net Assets Attributable to Share Holders	229,845,034
Revenue	60,714,249
Profit from Continuing Operations	22,028,296
Other Comprehensive Income	-
Total Comprehensive Income	22,028,296

CBIL SECURITIES LIMITED

The Bank has made strategic investment to broaden the scope of service and source of income by investing in share capital of CBIL Securities Limited, which is the Subsidiary company of the Bank. The Bank holds 100% controlling interest in the Subsidiary. Similarly, the Bank has deputed ACEO of the Bank as the Chairman of the Subsidiary and 3 senior level staffs of the Bank has been deputed as promoters of the Subsidiary.

The Subsidiary is engaged in Securities Brokerage Services.

1. An agreement has been made between the Bank and the Subsidiary Company to provide following facilities to Subsidiary Company by the Bank:
 - a) Bank has nominated its ACEO as the Chairman and 3 senior level staffs as the directors of the Subsidiary company.
2. Similarly, Bank has rented out its building located in Kupondole, Lalitpur to the Subsidiary Company, with the agreement to pay Monthly Rent of NPR 60,000, which will be increased by 10% in every 2 years, effective from the date of commencement of operation of CBIL Securities Limited.
3. All receipt and payment transactions entered into by the Bank with Subsidiary were made net of TDS. TDS has been duly deposited at Tax Office.
4. CBIL Securities Ltd holds a deposit account with the Bank which has a balance of NPR 53,326,958.40 as on July 15, 2020 (Ashadh 31, 2077).
5. The overall transactions with the Subsidiary included in financial statements of the Bank has been tabulated below:

PARTICULARS	NPR
Statement of Profit or Loss	
Total Income	-
Interest Paid to Subsidiary (Net of Tax)	4,783,011
Total Expenses	4,783,011
Statement of Financial Position	
Deposit of Subsidiary	53,326,958

The following table summarizes the financial information of CBIL Securities Ltd. in its own financial statements:

PARTICULARS	NPR
Non Current Assets	-
Current Assets	53,722,208
Non Current Liabilities	-
Current Liabilities	28,250
Net Assets Attributable to Share Holders	53,693,958
Revenue	4,783,012
Profit from Continuing Operations	3,670,465
Other Comprehensive Income	-
Total Comprehensive Income	3,670,465

iii. Transaction with Associates

Investments in Associates have been reported in the Statement of Financial Position of the Group and are initially recognized at cost and subsequently accounted for using the equity method. Similarly, the Bank has accounted for investments in associates at cost in separate financial statements.

The Bank has significant influence, but not control, over the financial and operating policies of the company, even if the Manager of the Bank is the representative director on behalf of the Bank in the company.

Nepal Electronic Payment Systems Limited (NEPS)

NEPS is formulated as a consortium of seven national level commercial Banks, with aim to pool the resources of these Banks together and establish a common platform, which will be more secure, reliable and able to encompass the rapid growth of new technologies in electronic payments.

Executive Member Mr. Sanjeeb Kumar Shrestha is the Board member in NEPS. The Bank holds investment of NPR 16,000,000 in share capital of NEPS which comes to 9.09 % of the total capital of NEPS.

Agreement has been entered by the Bank with NEPS for availing services related to debit cards and credit cards for which Bank makes the payment at an arm's length price.

The aggregate amounts of the transactions during the year from the relevant related party at the year end are summarized below:

PARTICULARS	NPR
Payments made towards transaction fees	8,358,093

The investment in NEPS has been accounted for at cost in separate financial statement of the Bank and as per equity method in consolidated financial statement.

Nepal Clearing House Limited (NCHL)

Nepal Clearing House Ltd. (NCHL) is a public limited company established on December 23, 2008 (Mangsir 09, 2065) under the leadership and guidance of Nepal Rastra Bank (The Central Bank of Nepal). It has the equity participation from Nepal Rastra Bank, commercial Banks, development Banks, finance companies and Smart Choice Technologies (SCT), a private card switch operator.

NCHL has the strategic objectives to establish multiple payments, clearing and settlement systems in Nepal with long term objective to establish a national payments gateway to facilitate electronic payments and financial transactions within the country. Electronic Cheque Clearing (NCHL-ECC) and Inter Bank Payment System (NCHL-IPS) are the national payment systems that are currently in operation.

Executive Member Ms. Umang Sharma is the Board member of NCHL. The Bank holds investment of NPR 4,250,200 in share capital of NCHL which comes to 1.97 % of the total capital of NCHL.

Agreement has been entered by the Bank with NCHL for availing services related to Electronic Cheque Clearing (ECC) and Inter- Bank Payment System (IPS) for which Bank makes the payment at an arm's length price. The aggregate amount of expenses arising from the transactions during the year from the relevant related parties at the year end are summarized below:

PARTICULARS	NPR
Payments made towards transaction fees	8,300,924
Dividend Received net of tax	-

The investment in NCHL has been accounted for at cost in separate financial statement of the Bank and as per equity method in consolidated financial statement.

iv. Transaction with Citizens Mutual Fund- I

The Bank is the shareholder holding substantial interest and the sponsor of the Citizens Mutual Fund- I under the Citizens Mutual Fund (the Fund) registered with Securities Board of Nepal (SEBON) under the Mutual Fund Regulation 2067 as a close ended, equity oriented fund.

The Scheme started its operation on March 04, 2018 (Falgun 20, 2074) with the maturity period of 7 years (i.e. up to Falgun 19, 2081). It was listed in Nepal Stock Exchange on April 16, 2018 (Baisakh 03, 2075).

The Bank has invested NPR 150,000,000 in Citizens Mutual Fund- I which has been marked to market and disclosed in Investment measured at Fair Value through Other Comprehensive Income.

The Scheme has Bank Balance of NPR 34,844,215 as on Balance Sheet date with the Bank.

v. Transaction with Citizens Mutual Fund- II

The Bank is the shareholder holding substantial interest and the sponsor of the Citizens Mutual Fund- II under the Citizens Mutual Fund (the Fund) registered with Securities Board of Nepal (SEBON) under the Mutual Fund Regulation 2067 as a close ended, equity oriented fund.

The Scheme started its operation on July 07, 2019 (Ashadh 22, 2076) with the maturity period of 7 years (i.e. up to Ashadh 21, 2083).

The Bank has invested NPR 150,000,000 in Citizens Mutual Fund- II.

The Scheme has Bank Balance of NPR 15,457,956 as on Balance Sheet date with the Bank.

5.7.2 RELATED PARTY DISCLOSURE OF THE SUBSIDIARY

i. Key Management Personnel (KMP)

The name of the key management personnel who were holding various positions in the office during the year were as follows:

a) CBIL Capital Limited

NAME OF THE KEY MANAGEMENT PERSONNEL	POST
Mr. Paras Kumar Kafle	Chairman
Mr. Rajendra Lal Shrestha	Board Member
Mr. Rajendra Shakya	Board Member
Mr. Pramesh Raj Kayastha	Board Member
Mr. Prajwal Jung Pandey	Board Member (Independent Director)
Ms. Rita Subedi	Board Member (Independent Director)

The details relating to compensation paid to key management personnel (directors only) were as follows:

PARTICULARS	CURRENT YEAR (NPR)
Meeting Fees	585,000
Total	585,000

The details relating to compensation paid to key management personnel (CEO only) were as follows:

PARTICULARS	CURRENT YEAR (NPR)
Short term employee benefits	585,000
Post- employment benefits	585,000
Other long term benefits	-
Total	3,366,625

ii. Parent Company

During the fiscal year following receipts and payments were made to/ from the Parent Company, Citizens Bank International Limited by CBIL Capital Limited:

PARTICULARS	TOTAL AMOUNT (NPR)
Office Rental Expenses	1,284,415
Technical Fee Paid	7,200,000
Server & Database Rental Expenses	2,200,000
De-mat Expense	147,000
Total Expenses	10,831,415
Interest Received on Deposits	15,806,547
Share Registrar Fees Received	804,444
Total Income	16,610,991

Outstanding balance of transaction done on behalf of the Parent Company, Citizens Bank International Ltd.:

CITIZENS BANK INTERNATIONAL LTD.	TOTAL AMOUNT (NPR)
Dividend Payable to shareholders	132,143,494
RTS Sharing payable	-
Total	132,143,494

During the fiscal year, following receipts and payments were made to/ from the Parent Company, Citizens Bank International Limited by CBIL Securities Limited:

PARTICULARS	TOTAL AMOUNT (NPR)
Office Rental Expenses	-
Interest on Loan against FDR	-
Total Expenses	-
Interest Received on Deposits	4,783,011
Total Income	4,783,011

5.8 MERGER AND ACQUISITION

In the current fiscal year FY 2019/20, the Bank has acquired “B” class Financial Institution licensed by NRB, Sahayogi Vikas Bank Limited with due approval from Special General Meeting of the Bank and from Nepal Rastra Bank and started the joint transaction from July 04, 2020 (Ashad 20, 2077).

For acquisition, the Bank has issued 4,676,205.74 number of equity shares at swap ratio of 100:91.75 (91.75 shares of Citizens Bank International Limited for every 100 shares of Sahayogi Vikas Bank Limited).

Fair value of net assets excluding the statutory reserves is NPR 558,499,957. As a result, Bargain gain amount of NPR 90,879,384 arising from the acquisition of Sahayogi Vikas Bank Limited has been recognized in the Statement of Profit or Loss.

5.9 ADDITIONAL DISCLOSURES OF NON CONSOLIDATED ENTITIES

The Bank has no any unconsolidated entities during the reporting period.

5.10 OPERATIONAL LEASE EXPENSES

The details of Actual Lease Liability and Future Minimum Lease Payments of the Bank are tabulated below:

ACTUAL LEASE LIABILITY	2019/20 (NPR)
Less than one year	80,172,783
Between one to five years	314,778,461
More than five years	219,784,324
Total	614,735,569

FUTURE LEASE EXPENSE	2019/20 (NPR)
Less than one year	86,065,404
Between one to five years	307,732,738
More than five years	191,716,507
Total	585,514,649

5.11 DETAIL OF LOANS AND ADVANCES

PARTICULARS	TO CUSTOMERS	TO BFIS
Loans and Advances	79,733,794,720	1,549,599,543
Interest Receivables on Loans and Advances	718,543,450	-
Staff Loans and Advances	557,016,476	-
Interest Receivables on Staff Loans and Advances	428,552	-
Total Loans and Advances [a]	81,009,783,198	1,549,599,543
Impairment Provision charge		
Individual Impairment		-
Collective Impairment		-
i. Total Impairment as per NAS 39	1,118,311,895	-
Individual Impairment (Specific Provision)	490,788,988	
Collective Impairment (General Loan Loss Provision)	627,522,907	
ii. Impairment as per norms of NRB in loan loss provision	2,033,387,952	15,495,995
Collective Impairment	693,659,804	15,495,995
Individual Impairment	1,339,728,148	
Impairment charge for the year, higher of i. and ii. [b]	2,033,387,952	15,495,995
Net Loans and Advances [a-b]	78,976,395,245	1,534,103,548

Impairment calculation as per NAS 39

The Bank has considered evidence of impairment for loans and advances measured at amortized cost at both specific asset and collective level. The Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant and that are not individually significant and that are found not impaired individually are assessed collectively.

The Bank has covered 40.91% of total loans and advances to customers and BFIs (in terms of principal outstanding) for individual impairment assessment. The Bank believes that coverage to this extent provides adequate assurance on the reliability of impairment assessment of gross loans and advances.

The Bank has then grouped loans and advances made to customers into different portfolios based on the general product type so as to achieve similarity in credit risk and repayment characteristics among loan accounts grouped within a given portfolio for collective assessment of impairment. The groupings done are Home Loans, Short Term Loans, Long Term Loans, Personal Loans and Vehicle Loans.

The Bank has considered overdue movement trend of past 4 years and current year data and loss given default rate from the data since inception of the Bank for deriving loss rate in collective impairment of loans and advances.

Impairment as per norms of NRB in Loan Loss Provision

The Bank has provided for impairment provision as per norms of NRB in loan loss provision as given in NRB Directive no. 2 on the basis of overdue period of principal and interest. Additional criteria include personal guarantee loans, security shortfalls, blacklisting of borrowers, rescheduled loans, etc.

5.12 STAFF LOANS AND ADVANCES AND EMPLOYEE BENEFITS INCLUDED IN LOANS AND ADVANCES TO CUSTOMERS OF THE BANK

Presented in financial statements under Loans and Advances to Customers are staff loans and advances, extended in line with the Employee Byelaws of the Bank. Eligibility criteria for availing staff loans are directly linked to the period of service under permanent payroll of the Bank, as per the Employee Byelaws of the Bank.

The carrying amount as at the balance sheet date was as under:

PARTICULARS	AMOUNT IN NPR	
	2019/20	2018/19
Staff Vehicle Loan	51,551,252	60,923,242
Staff Home Loan	436,596,787	342,232,169
Employee Advances	65,351,114	63,596,887
Credit Card Receivable	3,517,324	3,973,657
Total	557,016,476	470,725,955

5.13 INVESTMENT PROPERTY

The details of Investment property of the Bank are as follows:

PARTICULARS	2019/20	2018/19
Investment Properties Measured At Cost		
Balance as on July 17, 2019	222,547,153	287,547,060
Addition During The Year	-	17,854,842
Disposal During The Year	(27,014,364)	(82,854,749)
Total	195,532,789	222,547,153

The total fair value of investment property as on July 15, 2020 amounts to NPR 196,966,289.

5.14 LIABILITY FOR LONG-SERVICE LEAVE

The detail of liability for long-service leave recognized in Other Liabilities in Statement of Financial Position is as follows:

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Present Value of Unfunded Obligations	-	2,436,996	-	2,352,858
Present Value of Funded Obligations	119,743,408	97,476,298	119,743,408	97,476,298
Total Present Value of Obligations	119,743,408	99,913,294	119,743,408	99,829,156

Fair Value of Plan Assets	127,938,956	97,476,298	127,938,956	97,476,298
Present Value of Net Obligations	(8,195,548)	2,436,996	(8,195,548)	2,352,858
Recognized Liability for Defined Benefit Obligations	119,743,408	99,913,294	119,743,408	99,829,156

Plan Assets

PLAN ASSETS COMPRISE	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Equity Securities				
Government Bonds				
Bank Deposit				
Other	127,938,956	97,476,298	127,938,956	97,476,298
Total	97,476,298	97,476,298	127,938,956	97,476,298

Movement in the Present Value of Defined Benefit Obligations

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Defined Benefit Obligations at July 17, 2019	99,829,156	81,730,559	99,829,156	81,693,296
Actuarial Losses	18,054	37,976,012	18,054	38,027,666
Benefits Paid By The Plan	(13,567,075)	(42,588,619)	(13,567,075)	(42,560,119)
Current Service Costs And Interest	33,463,273	22,795,342	33,463,273	22,668,313
Defined Benefit Obligations at July 15, 2020	119,743,408	99,913,294	119,743,408	99,829,156

Movement in the Fair Value of Plan Assets

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Fair Value Of Plan Assets at July 17, 2019	97,476,298	74,511,433	97,476,298	74,511,433
Contributions Paid Into The Plan	38,846,673	63,175,502	38,846,673	63,175,502
Benefits Paid During The Year	(13,567,075)	(42,560,119)	(13,567,075)	(42,560,119)
Actuarial (Losses) Gains	(1,529,678)	(1,290,479)	(1,529,678)	(1,290,479)
Expected Return On Plan Assets	6,712,738	3,639,961	6,712,738	3,639,961
Fair Value Of Plan Assets at July 15, 2020	127,938,956	97,476,298	127,938,956	97,476,298

Amount Recognized in Profit or Loss

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current Service Costs	26,019,624	17,960,442	26,019,624	17,835,254
Interest on Obligation	7,443,649	4,834,900	7,443,649	4,833,059
Actuarial (Gain)/ Losses	1,547,732	39,266,491	1,547,732	39,318,145
Expected Return on Plan Assets	(6,712,738)	(3,639,961)	(6,712,738)	(3,639,961)
Total	28,298,267	58,421,872	28,298,267	58,346,497

5.15 TAXATION

Status of Tax Assessment

In the current fiscal year, the tax assessment of the Bank of FY 2015/16 (2072/73) is under progress by Large Taxpayers Office (LTO).

Further, the Bank has filed for the administrative review for the Bank 2013/14 (2070/71) and 2014/15 (2071/72) against additional tax demand of NPR 10,148,138 and NPR 7,710,616 respectively. The Bank has also filed for appeal in Revenue Tribunal against tax assessment of FY 2011/12 (2068/69) and FY 2012/13 (2069/70) against additional income tax demand of NPR 8,346,517 and NPR 12,396,901 respectively. Similarly, tax assessment of acquired institution, People's Finance Limited of FY 2010/11 (2067/68) is under Administrative Review against additional tax demand of NPR 21,002,225 and Nepal Housing and Merchant Finance Limited of FY 2011/12 (2068/69), FY 2013/14 (2070/71) and FY 2014/15 (2071/72) are under Administrative Review against additional tax demand of NPR 3,446,694, NPR 917,391 and NPR 2,159,162 and respectively.

Similarly, in case of FY 2006/07 (2063/64), 2007/08 (2064/65) and 2010/11 (2067/68), the Bank has filed for petition with Supreme Court which is yet to be decided. The disputed tax amount is NPR 5,528,776 of FY 2063/64 (2006/07) and 2064/65 (2007/08).

The Bank has disclosed the disputed tax amount of NPR 80,071,263 as contingent liability.

The self assessment returns filed by the Bank for FY 2016/17 (2073/74) to 2018/19 (2075/76), has not yet been opened for reassessment by the LTO.

Current Year Tax

Current year tax liability has been recognized on net profit at the rate of 30%, after required adjustment to arrive at taxable profit.

Reconciliation between current year tax liability and current tax based on net profit of the book has been given in Note 4.41.1.

Deferred Tax

Deferred tax is computed at 30% of the temporary differences between accounting base and tax base. Deferred tax assets/ liabilities and the calculation of deferred taxes are given in Note 4.15 of Statement of Financial Position.

5.16 STATUTORY RESERVES AND FUNDS

The reserves of the Bank include statutory reserves and funds set aside for specific purpose, as per Bank and Financial Institution Act, 2017 and NRB Directives. The various reserves and funds are as below:

i. General Reserve

General Reserve is created as per Section 44 of the Bank and Financial Institutions Act, 2017 equivalent to 20% of the net profit earned during the year until the reserve is twice the paid up share capital of the Bank after which 10% of the net profit earned during the year shall be set aside as General Reserve. During the year, the Bank has transferred NPR 239,700,932 to General Reserve from Retained Earnings.

Such reserve could not be expensed or transferred to other heads without prior approval of Nepal Rastra Bank.

ii. Exchange Fluctuation Reserve Fund

Exchange Fluctuation Reserve is the reserve created as per Section 45 of the Bank and Financial Institutions Act, 2017 equivalent to 25% of the foreign exchange gain realized on the translation of foreign currency to the reporting currency during the year other than Indian Rupees. During the current year, the Bank has transferred NPR 17,897,978 to Exchange Fluctuation Reserve from Retained Earning.

The balance of exchange fluctuation reserve fund after transfer from retained earnings during current year is NPR 58,907,315. Such reserve could not be expensed or transferred to other heads without prior approval of Nepal Rastra Bank other than to set off revaluation loss incurred, if any during the year.

iii. Investment Adjustment Reserve

Investment adjustment Reserve has been created as per the regulatory requirement of NRB Directive no 8. During the current year, no any adjustment was made on the Investment Adjustment Reserve.

The detail of investment adjustment reserve as on July 15, 2020 is as follows:

PARTICULAR	INVESTMENT AMOUNT (NPR)	INVESTMENT ADJUSTMENT RESERVE (NPR)
Prabhu Capital Ltd.	3,000,000	3,000,000
Total	3,000,000	3,000,000

iv. Bond Redemption Reserve

The Bank has issued Subordinated Debt of 500,000 8.5% Citizens Bank Bond, 2077 of NPR 500,000,000 as per NRB approval dated 2070/09/01. The Bank has set aside fund of NPR 500,000,000 to Capital Redemption Reserve on proportion basis over the year except for the issuance year and payment year as per NRB Directives by transferring additional NPR 107,142,857 to Capital Redemption Reserve in the FY 2076/77.

The Bank has issued another Subordinated Debt of 10.25% Citizens Bank Bond, 2086 of NPR 2,500,000,000 during FY 2019/20 as per NRB approval dated October 17, 2019 (Ashwin 30, 2076). As per NRB Directive 2076(16) (5), Capital Redemption Reserve is to be created on proportionate basis over the year except for the issuance year and payment year. So, the Bank has not set aside any amount to Capital Redemption Reserve during FY 2019/20 for 10.25% Citizens Bank Bond 2086.

v. Employees Training Cost and Employees Capacity Development Fund

Employees training cost of NPR 11,033,072 has been incurred during the year which is 2.29% of the salary & allowance expense of the previous year 2075/76. As per NRB Directive 06/2076, 3% of salary & allowance expense of the previous year is to be incurred on training and development of staffs. However, such provision is not applicable for FY 2076/77 as per NRB circular no Bai. Bi.Ni.Ni./Niti/Paripatra/kakhaga/14/076/77. Hence, employees' capacity development fund has not been created during the year.

vi. Corporate Social Responsibility (CSR) Fund

During the year, the Bank has expensed NPR 18,856,632 on CSR activities. Hence, the sum of NPR 18,856,632 has been transferred from CSR fund created in previous year to retained earnings in the current year.

Similarly, additional CSR Fund of NPR 11,985,047 has been created as per NRB Directive No. 06/2076. The fund so created shall be used for CSR activities of the Bank in the next fiscal year as per Corporate Social Responsibility Manual of the Bank.

The total movement of Bond Redemption Reserve, Corporate Social Responsibility Fund, Investment Adjustment Reserve and Employee Training Cost and Employees Capacity Development Fund reflected in totality in Statement of Changes in Equity under Other Reserve are as follows:

OTHER RESERVE	AMOUNT IN NPR
Balance as on July 17, 2019	408,526,184
Other comprehensive income, net of tax	
Actuarial gains/(losses) on defined benefit plans	(17,353,631)
Transfer from acquired institution	
Corporate Social Responsibility	1,828,717
Employee capacity development fund	1,791,460
Transfer to Reserve	
Corporate Social Responsibility	11,985,047
Bond Redemption Reserve	107,142,857
Transfer from Reserve	
Corporate Social Responsibility	(18,856,632)
Investment Adjustment Reserve	-
Balance as on July 15, 2020	495,064,002

vii. Regulatory Reserve

The regulatory reserve has been created of NPR 451,982,508 upto the current year as per NRB Directive 4(3) (ka). The detail of regulatory reserve created in the current year is given in the Statement of Distributable Profit or Loss.

As per the NRB circular no.Bai.Bi.Ni.Bi/Niti/Paripatra/kakhaga/1/076/77, BFIs are not required to transfer to the regulatory reserve for the interest income recognized on accrual basis and recovered within Mid October, 2020. Accordingly, the Bank has recovered interest income of NPR 386,650,436 after Mid July, 2020 till October 13, 2020 (Ashwin 27, 2077 for which no regulatory reserve has been created).

Out of total interest accrued of NPR 1,388,763,281 as on July 15, 2020, amount of NPR 718,972,002 has been recognized as income on Accrual Basis as per "Guideline on Recognition of Interest Income, 2019" issued by Nepal Rastra Bank and NPR 82,625,226 has been transferred to Retained Earning from Regulatory Reserve during FY 2019/20.

The detail of movement of Reserves of the Bank is summarized as below:

MOVEMENT IN RESERVES OF THE BANK	OPENING BALANCE	TRANSFER FROM ACQUIRED INSTITUTION	TRANSFER FROM RETAINED EARNING	TRANSFER TO RETAINED EARNING	OTHER RESERVE MOVEMENT	CLOSING BALANCE
Statutory General Reserve	1,484,944,422	158,948,970	239,700,932	-	-	1,883,594,324
Exchange Equalization Reserve	41,009,338	-	17,897,978	-	-	58,907,316
Corporate Social Responsibility Reserve	19,756,038	1,828,717	11,985,047	(18,856,632)	-	14,713,170
Capital Redemption Reserve	392,857,142	-	107,142,858	-	-	500,000,000
Regulatory Reserve	486,287,496	57,222,209	112,347,267	(203,874,464)	-	451,982,508
Investment Adjustment Reserve	3,000,000	-	-	-	-	3,000,000
Capital Reserve	-	-	-	-	-	-

Assets Revaluation Reserve	343,854,012	-	43,905,624	-	-	387,759,636
Fair Value Reserve	60,856,958	-	-	-	54,456,845	115,313,803
Dividend Equalization Reserve	-	-	-	-	-	-
Actuarial Gain	(7,086,997)	-	(17,353,631)	-	-	(24,440,628)
Special Reserve	-	-	-	-	-	-
Other Reserve	-	1,791,460	-	-	-	1,791,460
TOTAL	2,825,478,409	219,791,356	515,626,074	(222,731,096)	54,456,845	3,392,621,588

5.17 SHARE PREMIUM

The Bank has share premium amounting to NPR 4,124,402 at the reporting date.

5.18 PROPOSED BONUS SHARE

The Board of Directors of the Bank has proposed 8 percent bonus share on paid up share capital of the Bank subject to approval from Nepal Rastra Bank and ratification of Annual General Meeting of the shareholders of the Bank.

5.19 PROPOSED DIVIDEND

The Board of Directors of the Bank has proposed Cash Dividend of 3 percent on paid up share capital of the Bank subject to approval from Nepal Rastra Bank and ratification of Annual General Meeting of the shareholders of the Bank.

5.20 PROVISION FOR BONUS TO EMPLOYEES

Provision for staff bonus has been made as per Bonus Act, 1973, calculated at 10% of net profit before bonus. For the FY 2019/20, the Bank has made provision of NPR 175,317,535 towards Staff Bonus.

5.21 PROVISION FOR EMPLOYEES HOUSING

As per the terms of service of the staff provision for providing housing loans to eligible staff, a separate housing fund has not been created as required by Labor Act.

5.22 NON- DELIVERABLE FORWARD (NDF) CONTRACT

Liabilities on account of derivative contracts entered into by the Bank are reported under Contingent Liabilities under sub- heading Outstanding Liabilities for Forward Exchange Contract. These include notional principal on outstanding forward rate agreements. The Forward Exchange Contract is marked to market and resulting difference is recognized in Statement of Profit or Loss.

The unsettled proprietary NDF contract of USD 29.10 million has been marked to market at exchange rate of INR/ USD = 75.31 as on reporting date.

5.23 EARNINGS PER SHARE

Basic Earnings Per Share

Earnings per share, also called net income per share, is a market prospect ratio that measures the amount of net income/ loss earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. It is calculated by dividing profit or loss attributable to ordinary equity holders by the average number of ordinary shares outstanding during the period.

The earnings attributable to the ordinary equity holders consists of the earnings of the Bank after deduction of all expenses, tax expense and preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

The calculation of basic earnings per share of the Bank has been based on the profit/ loss attributable to ordinary shareholders and weighted average number of shares outstanding as tabulated below:

AMOUNT IN NPR		
PARTICULARS	2019/20	2018/19
Profit attributable to ordinary shareholders NPR	1,198,504,659	1,463,218,780
Weighted average number of ordinary shares	86,375,705	83,668,713
Basic Earnings Per Share NPR	13.88	17.49
Restated Basic Earnings Per Share NPR	-	-

Weighted average number of ordinary shares calculation

AMOUNT IN NPR

FY 2019/20	NUMBER OF SHARES	TOTAL SHARES OUTSTANDING	PORTION OF THE YEAR	WEIGHTED AVERAGE NUMBER OF SHARES
Opening Balance	83,710,648	83,710,648	1.00	83,710,648
Fractional Shares (Bonus Portion)	2,511,319	86,221,967	1.00	2,511,319
Bonus Share of FY 2018/19	4,676,206	90,898,173	0.0329	153,738
	90,898,173			86,375,705

FY 2018/19	NUMBER OF SHARES	TOTAL SHARES OUTSTANDING	PORTION OF THE YEAR	WEIGHTED AVERAGE NUMBER OF SHARES
Opening Balance	80,332,364	80,332,364	1.00	80,332,364
Fractional Shares (Bonus Portion)	463,826	80,796,190	0.9096	421,891
Bonus Share of FY 2017/18	2,914,458	83,710,648	1.00	2,914,458
	83,710,648			83,668,713

Diluted Earnings Per Share

Diluted shares are the shares that would be outstanding if all possible sources of conversion, such as convertible bonds and stock options, were exercised. Specific financial figures in terms of fully diluted shares outstanding are reported to allow investors to properly assess the Bank's financial situation.

There are no dilutive shares during the year of the Bank and the Subsidiary.

5.24 INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements of the Group have been prepared and published on quarterly basis as per NFRS and NRB Directive no 4 in compliance of statutory and legal requirement within the time frame prescribed.

5.25 AGE-WISE PARTICULARS OF RECONCILIATION PENDING ITEMS**(1 YEAR, 1-3 YEARS, AND ABOVE 3 YEARS) IN AGENCY ACCOUNTS OF THE BANK***i. Inter Branch Account*

There is no un-reconciled transaction in Inter branch Accounts of the Bank as on year end FY 2019/20.

ii. Nepal Rastra Bank

NPR IN '000

TIME DURATION	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
1 month and below	-	9,825.31	11.02	-
1 - 3 months	-	134.00	943.68	-
3 - 6 months	-	2,355.00	899.35	-
6 - 12 months	-	85.87	-	-
1 - 2 years	-	193.92	-	-
Total	-	12,594.10	1,854.05	-

iii. Local Financial Institutions

NPR IN '000

TIME DURATION	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
1 month and below	1,443.81	2,304.07	1,258.86	1,106.14
1 - 3 months	20.59	-	10.01	-
3 - 6 months	1.52	8.40	3.22	0.02
6 - 12 months	2.02	-	3.33	-
1 - 2 years	-	-	0.01	-
Total	1,467.95	2,312.47	1,275.43	1,106.15

iv. Foreign Bank

NPR in '000

TIME DURATION	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
1 month and below	-	10,501.63	706,477.85	14,712.59
1 - 3 months	-	567.06	-	-

3 - 6 months	-	118.78	-	-
6 - 12 months	-	572.73	-	6.00
1 - 2 years	-	1,550.26	-	4.20
Total	-	13,310.47	706,477.85	14,722.78

5.26 CORRECTION OF PRIOR PERIOD

During the current fiscal year, it has been discovered that fixed assets of the Bank have been wrongly overstated in the previous fiscal year. As a consequence, depreciation expense has been overstated and retained earnings have been understated in the previous year. The errors have been corrected on the current fiscal year by restating the balance of retained earnings and fixed assets. The following table summarizes the impacts on the financial statements:

PARTICULAR	FY 2075/76		
	AS REPORTED	ADJUSTMENTS	RESTATED
Statement of Financial Position			
Property and Equipment			
Cost			
Building	486,082,753	422,949	486,505,702
Leasehold Properties	206,687,579	(3,054,056)	203,633,523
Computer & Accessories	187,316,166	(451,986)	186,864,180
Furniture & Fixtures	170,799,103	(309,749)	170,489,354
Equipment & Other	283,310,852	(1,013,796)	282,297,055
Accumulated Depreciation			
Building	72,417,272	7,052	72,424,324
Leasehold Properties	114,801,639	(200,835)	114,600,804
Computer & Accessories	118,232,848	(80,184)	118,152,664
Furniture & Fixtures	108,473,390	(122,556)	108,350,833
Equipment & Other	173,445,805	(80,602)	173,365,203
Equity			
Retained Earning	1,251,267,351	477,125	1,251,744,477

5.27 NFRS CARVE-OUTS ADJUSTMENTS

During the current fiscal year, the Group has not applied the numbers of standards as prescribed in NFRS and used the NFRS carve-out adjustments. As a consequence, the net profit and retained earnings have been impacted.

The impacts of each carve-out adjustment done and the affected financial statement line items have been summarized as follows, wherever quantifiable or described otherwise:

5.27.1 NAS 39: RECOGNITION AND MEASUREMENT

(INCURRED LOSS MODEL TO MEASURE THE IMPAIRMENT LOSS ON LOANS AND ADVANCES)

NAS 39 Para 58 requires an entity to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss.

However, as per carve out on NAS 39 Para 58, the Bank has assessed and measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

The incurred credit loss model used by the Bank in impairment testing of loans and advances in general is based on historic data sets from the past five years and it automatically assume an effect of significant increase in credit risk in the event of a delay of payment dues. Whereas the current situation of COVID 19 impact is new and incurred credit loss model has not considered temporary economic downturn resulted by COVID 19 impacts. Hence, in case of loans and advances which were in Pass Category in quarter ending on Mid January, 2020 which has been categorized as Watchlist Loan on July 15, 2021 as per NRB circular Bai.Bi. Ni.Bi./Niti/Paripatra/KaKhaGa/1/077/78, overdue days of Mid January, 2020 have been considered in impairment testing of loans and advances as per incurred credit loss model.

The impacts of the application of carve- out in the current year financials is as under:

Particulars	Amount in NPR
Gross Loans and Advances (To customers and BFIs)	81,283,394,263
Impairment Loss as per NFRS	1,118,311,895
Impairment Loss as per norms of NRB	2,048,883,948

The higher of two above i.e.; NPR 2,048,883,948 has been taken into account for impairment loss on loan and advances in the preparation of consolidated interim financial reports.

5.27.2 NAS 39: RECOGNITION AND MEASUREMENT (IMPRACTICABILITY TO DETERMINE TRANSACTION COST OF ALL PREVIOUS YEARS, WHICH IS THE PART OF EFFECTIVE INTEREST RATE)

NAS 39 Para 9 requires using of the effective interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see NAS 18 Revenue), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

However, as per carve out on NAS 39 Para 9, the Bank has not included the fees and points paid or received that are immaterial or impracticable to determine reliably the effective interest rate and have recognized them directly as revenue in the Statement of Profit or Loss.

The Bank shall adopt the NAS 39 Para 9 in its 2020/21 financial statements or later.

5.27.3 NAS 39: RECOGNITION AND MEASUREMENT (IMPRACTICABILITY TO DETERMINE INTEREST INCOME ON AMORTIZED COST)

As per NAS 39 Para AG93, once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

However, as per carve out on NAS 39 AG 93, the Bank has applied the effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

The Bank shall adopt the NAS 39 Para AG93 in its 2020/21 financial statements or later.

5.28 IMPACT OF COVID- 19 ON THE BANK

The COVID-19 pandemic has developed rapidly from 3rd quarter of current fiscal year. The resulting impact of the virus on the operations and measures taken by governments to contain the virus has negatively affected the Bank's result in the reporting period. The currently known impacts of COVID-19 on the Banks are:

- Discount on interest due paid in Mid April, 2020 and interest rebate of 2% on interest prevailing on Mid April, 2020 to COVID 19 impacted borrowers as enlisted by Nepal Rastra Bank resulted in interest revenue loss to the Bank of around NPR 310 million.
- Overdue interest has increased by 57.27% compared with the same period in previous fiscal year.
- The total of 2,827 loan accounts has overdue on July 15, 2020 (Ashadh 31, 2077) which were in Pass Category in quarter ending on Mid January, 2020 which has been categorized as Watchlist Loan as per NRB circular Bai.Bi. Ni.Bi./Niti/Paripatra/KaKhaGa/1/077/78.
- Regular operations of the branches and departments have been hampered due to lockdown and COVID 19 cases within the Bank.
- The risk of staffs being affected by COVID 19.
- The stringent recovery measures of the defaulting borrowers have been postponed.

COVID- 19 developments indicate mass default in loan and advances covenants by borrowers in near future which is major income earning assets of the Bank. There is likelihood of staffs being affected by the COVID- 19 and service of the Bank being disrupted.

In response to these matters, the Bank has taken the following actions:

- The Bank has assessed the impact of COVID 19 in lending portfolio of the Bank and categorized the lending portfolio as per the impact of COVID 19 in Category A-High Risk, Category B-medium Risk and Category C-Lower Risk.
- The Bank shall not aggressively lend during the distressed period and be selective in lending with proper risk assessment.
- The Banks shall closely monitor the loan accounts where there has been default or there is possibility of default. The utmost focus shall be on recovery of the overdue amount.
- Rescheduling and restructuring of loan shall be done in case of requirement on case to case basis within the regulatory provision.
- In case of requirement of bail out, Short Term Loan/ Medium Term Loan for financing immediate working capital/ cash requirement shall be given.
- The Bank has temporarily extended due date of interest and principal payment of borrowers affected by COVID 19 as per NRB Directive Bai.Bi.Ni.Bi./Niti/Suchana/18/076/77.
- Further, necessary privileges shall be granted to the distressed borrowers impacted by COVID 19 in line with circulars and directives issued by Nepal Rastra bank from time to time.
- The Bank has a robust Business Continuity Plan in place in order to provide all essential services of the Bank to customers safely and minimize impact of COVID- 19 in the Bank's functioning, if any staffs are found to be affected.

The Bank's actions are expected to be sufficient to mitigate the financial and operational uncertainty brought by temporary phenomenon of COVID 19 and expect the sanctions imposed by the government will soon be eased with passage of time and economic activities will soon return to normalcy as people learn to cure and cope up with COVID- 19.

5.29 TABLE OF ASSETS AND LIABILITIES ACCORDING TO THE LIQUIDITY POSITION

PARTICULARS		AMOUNT IN NPR							
ASSETS		1-7 DAYS	8-30 DAYS	31-90 DAYS	91-180 DAYS	181-270 DAYS	271-365 DAYS	MORE THAN 1 YEAR	TOTAL
Cash Balance		3,062,402,749							3,062,402,749
Balance with Banks & FIs		5,423,675,611							5,423,675,611
Investment in Foreign Banks		719,400,000	479,600,000	1,414,820,000	179,850,000	-	-	-	2,793,670,000
Call Money		1,305,994,168							1,305,994,168
Government Securities		-	-	557,562,062	281,946,410	288,013,500	-	10,054,688,631	11,182,210,603
Nepal Rastra Bank Bonds									-
Inter Bank & FI Lending		179,850,000	599,500,000	201,252,150	-	-	-	-	980,602,150
Loans & Advances		5,030,594,895	10,520,380,063	11,477,755,774	9,582,062,896	6,754,591,685	4,705,956,046	34,717,671,561	82,789,012,919
Interest Receivable		2,004,842	4,465,775	6,866,636	8,857,140	3,410,189	-	121,549,717	147,154,298
Reverse Repo									-
Acceptance Receivable									-
Payments under S.No. 20,21 & 22		2,719,249,884	1,388,782,996	3,689,491,973	3,690,814,691	2,196,720,863	2,935,612,469	3,081,342,879	19,702,015,754
Others		1,391,992,008	1,029,497	142,488,502	195,532,789	-	-	3,413,431,554	5,144,474,350
Total (A)		19,835,164,157	12,993,758,331	17,490,237,096	13,939,063,925	9,242,736,237	7,641,568,514	51,388,684,342	132,531,212,602
LIABILITIES									
Current Deposits		1,177,819,997						3,867,002,707	5,044,822,705
Saving Deposits (including call)		4,505,428,840	2,143,493,539	857,397,416	1,714,794,831	857,397,416	857,397,416	21,257,417,703	32,193,327,160
Fixed Deposits		881,810,811	3,655,914,558	6,920,631,526	11,414,784,538	7,652,137,572	9,911,537,900	14,510,165,648	54,946,982,553
Debentures/Bonds					500,000,000.00			2,474,381,302	2,974,381,302
Borrowings		500,000,000	-	25,307,006	11,329,622	30,940,454	-	-	567,577,082
Call/Short Notice									-
Inter- Bank/ Financial Institutions			-	-	-	-	-	-	-
Refinance		500,000,000	-	25,307,006	11,329,622	30,940,454	-	-	567,577,082
Others									-
Other Liabilities and Provisions		1,386,951,527	-	-	-	-	-	-	1,386,951,527
Sundry Creditors		25,030,952							25,030,952
Bills Payable		132,763,515							132,763,515
Interest Payable		102,281,412	-	-	-	-	-	-	102,281,412
Provisions		32,621,786							32,621,786
Others		1,094,253,862							1,094,253,862
Acceptance Liabilities		152,425,389	189,816,081	992,607,912	132,824,334	11,564,978	68,352,036	73,632,000	1,621,222,729
Irrevocable Loan Commitment		580,824,642	290,412,321	290,412,321	1,452,061,605	1,161,649,284	2,032,886,247	-	5,808,246,420
Letter of Credit/Guarantee		1,985,999,854	908,554,593	2,406,471,740	2,105,928,752	1,023,506,601	834,374,185	3,007,710,879	12,272,546,604

[illegible]

5.28 KEY FINANCIAL INDICATORS

	INDICATORS	FISCAL YEAR 2015/16	FISCAL YEAR 2016/17	FISCAL YEAR 2017/18	FISCAL YEAR 2018/19	FISCAL YEAR 2019/20
1. Net Profit / Gross Income	Percent	27.31	19.36	15.41	15.20	11.28
2. Earnings Per Share (Basic)	NPR	35.25	20.27	15.37	17.49	13.88
3. Market Value Per Share	NPR	680	403	236	224	188
4. Price Earnings Ratio	Times	19.29	19.88	15.36	12.81	13.55
5. Dividend (including bonus) on Share Capital	Percent	25.78	17.00	5.263	15.00	11.00
6. Cash Dividend on Share Capital	Percent	1.29	1.00	1.635	12.00	3.00
7. Interest Income / Loans and Advances	Percent	9.41	10.55	12.93	12.22	10.85
8. Staff Expenses / Total Operating Expenses	Percent	44.19	44.94	62.33	58.63	56.63
9. Interest Expenses / Total Deposits and Borrowings	Percent	4.38	6.32	8.15	7.67	6.90
10. Foreign Exchange Gain / Total Income	Percent	3.62	3.27	3.32	2.95	3.51
11. Staff Bonus / Total Staff Expenses	Percent	52.13	35.9	24.19	26.88	18.75
12. Net Profit / Loans and Advances	Percent	3.1	2.43	2.36	2.22	1.45
13. Return on Total Assets	Percent	2.24	1.8	1.72	1.62	1.08
14. Total Credit / Deposits	Percent	85.59	91.89	92.75	88.76	89.56
15. Total Operating Expenses / Total Assets	Percent	1.38	1.62	1.75	1.70	1.49
16. Adequacy of Capital Fund on Risk Weighted Assets	Percent	12.4	16.88	13.84	14.37	15.14
Core Capital	Percent	10.57	15.37	12.76	13.46	11.85
Supplementary Capital	Percent	1.83	1.51	1.08	0.91	3.29
17. Non-Performing Loans / Total Loans (As per NRB Directive)	Percent	1.38	2.02	1.48	1.19	1.55
18. Weighted Average Interest Rate Spread (As per NRB Directive)	Percent	3.96	3.19	3.84	3.15	4.03
19. Book Net Worth Per Share	NPR	121	136	137	149.26	147.61
20. Number of Equity Shares (At Year End)	Nos.	30,652,338	69,216,897	80,332,364	83,710,648	90,898,173
21. Number of Permanent Staffs	Nos.	652	684	844	955	1091
22. Return on Equity	Percent	20.36	11.52	11.2	12.00	8.93
23. Dividend Pay Out Ratio	Percent	3.66	6.4	0.34	0.86	0.79
24. Earnings Yield	Percent	4.36	6.43	6.51	6.70	7.38
25. Dividend Yield	Percent	3.79	4.22	2.23	7.81	5.85
26. Cost to Operating Income Ratio	Percent	31.32	40.44	41.48	43.90	45.69
27. Total Assets to Shareholder' Fund	Times	10.38	6.97	7.06	7.21	8.24
28. Shareholders' Fund to Total Liability including Contingent Liability	Percent	7.39	10.95	12.03	15.34	7.97
29. Base Rate	Percent	6.06	11.17	11.78	10.52	9.04
30. CCD Ratio as per NRB Directives	Percent	77.63	78.63	77.87	76.79	70.63
31. Number of Branches	Nos.	56	60	78	81	109
32. Number of ATMs	Nos.	49	57	70	78	99
33. Net Profit per staff	NPR	1,657,021	1,581,377	1,462,208	1,532,166	1,098,538
34. Per employee staff cost	NPR	452,764	642,581	928,979	942,664	857,245
35. Diluted Earnings Per Share	NPR	24.55	20.36	15.37	17.49	13.88

Note: Ratios of FY 2015/16 and 2016/17 are as per previous GAAP report and ratios of FY 2017/18, 2018/19 and 2019/20 are as per NFRS complied financial statements unless otherwise indicated.



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INFORMATION AND DISCLOSURES TO SHAREHOLDERS

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INFORMATION ABOUT ANNUAL GENERAL MEETING

As decided by the 347th BOD meeting held on November 13, 2020; 14th Annual General Meeting (AGM) of the Bank will be held on following date, place and time:

Date : December 5, 2020 (Mangsir 20, 2077), Saturday

Place : Corporate Office, Narayanhithi path, Durbarmarg, Kathmandu (through webinar)

Time : 11:00 AM

Following agendas will be discussed at the Annual General Meeting:

A. ORDINARY RESOLUTION

1. To approve Director's Reports of FY 2019/20 after deliberation.
2. To discuss and approve the Consolidated Statement of Financial Position as of July 15, 2020, Consolidated Statement of Profit or Loss for the period July 17, 2019 to July 15, 2020 and Consolidated Statement of Cash Flows of the Bank and Bank's subsidiary company, for the year ended thereon, together with Auditor's report.
3. To approve cash dividend of NPR 272,694,518.69 (includes tax on dividend) which is 3 percent of paid-up capital as proposed by the Board of Directors.
4. To appoint auditor for the FY 2020/21 (2077/78) and to fix the auditor's remuneration as per Section 111 of Companies Act 2006; (M/s. KK Budhathoki & Associates, Chartered Accountants is eligible for re-appointment as per Section 111 (3) of Companies Act 2006).

B. SPECIAL RESOLUTION

1. To approve the allocation of bonus share equivalent to NPR 727,185,383.18 (8 percent of paid up capital) as proposed by Board of Directors.
2. Delegation of authority to Board of Directors of the Bank for merger or acquisition of Citizens Bank International Limited and other appropriate Bank and Financial Institutions or to seek for foreign strategic partnership and if appropriate to conduct the valuation of movable and immovable assets and liabilities by appointing national or international certified valuator and to enter into primary and final agreement in relation to Merger or Acquisition and to complete necessary procedures for the same.
3. To approve amendments to the Memorandum of Association (MOA) of the Bank as follows:
 - (Ka) To amend Memorandum of Association (MOA)
 - (Ka- 1) To increase issued capital and paid of capital of the Bank.
 - (Kha) To amend and add matters in Article of Association (AOA).
 - (Kha-1) To endorse the decision made by 342th BOD meeting held on September 9, 2020 of the Bank regarding addition of Covid-19 Insurance of NPR 300,000 along with medical insurance each to Chairman and Board Members that has been additionally increased to protect against the risk arising from Covid-19 based on the notice issued by the SEBON dated August 6, 2020.
4. Delegation of authority to the Board of Directors for making necessary adjustments in the Memorandum of Association (MOA) and Articles of Association (AOA) of the Bank in case any instructions is received from the approving authority during approval of amendments of the MOA and AOA.

C. OTHERS

OTHER INFORMATION REGARDING AGM:

1. Shareholders register book will be closed for one day on November 26, 2020 (Mangsir 11, 2077). If the name of the shareholders is registered in shareholders register book located in the Bank's share registrar CBIL Capital Limited, Batule Ghar, Dillibazar, Kathmandu because of the transactions conducted in Share Stock Exchange till November 25, 2019 (Mangsir 10, 2077), then such shareholders can participate in the AGM and is entitled to receive bonus share and cash dividend.
2. Shareholders interested in participating in AGM shall bring either share certificate or details of DEMAT account and documents proving his identity or its copy along with them.
3. Shareholders who are interested in participating in AGM are requested to participate through webinar. Shareholders attendance register will be made available at 9:00 A.M. onwards for the purpose of signing.
4. Shareholders interested in appointing a proxy for attending AGM, shall fill the proxy form in the format prescribed by the Companies Act and shall submit the form at least 48 hours before AGM (i.e. within 9:00 A.M on December 13, 2020 (Mangsir 28, 2077) to the main office of the Bank at Narayanhiti Path, Kathmandu. No one other than shareholders of the Bank shall be appointed as a proxy. More than one person cannot be appointed as proxy by dividing shares or by division through any means. If done so, then proxy shall be cancelled.
5. If any shareholder wants to replace the previously appointed proxy, then he shall submit a separate letter along with proxy form stating that the previously appointed proxy shall be cancelled and new proxy shall be given accreditation and such information shall be submitted at least 48 hours before AGM. If any shareholder, who has appointed proxy, presents himself in AGM, then the appointed proxy shall be automatically cancelled.
6. Shareholders whose name has been recorded in shareholders register book as mentioned in point no.1 shall only be entitled to receive bonus share and dividend amount.
7. If two or more shareholders jointly hold shares, then representative appointed by such partners or the partner whose name appears first in the serial order in the shareholders register shall only be entitled to take part in AGM.
8. If any shareholder is juvenile or insane, then the person who is registered as his guardian in the shareholders register shall be entitled to take part, vote or appoint a proxy in the AGM.
9. For any queries regarding AGM, you are requested to contact the head office of the Bank, within office hours.
10. You are requested not to carry any bags while attending AGM, for the security reasons. If required, security guards can conduct the security check. Therefore, you are requested to cooperate with the security check.
11. AGM will be held in reference to the probable effect and risk of Covid 19 adopting the full security measures prescribed by the Government. Shareholders are requested to make attendance 24 hours before AGM through mobile number 9851032254 or 9851012345 for the purpose of participation through webinar.

Note: As per Companies Act, 2006, shareholders can inspect and obtain a copy of Annual Financial Report, Director's Report and Auditor's Report from the head office of the Bank, located at Narayanhiti Path or from the Bank's share registrar CBIL Capital Limited, Dillibazar, Kathmandu. For detail information, you can visit the Bank's website: www.ctznbank.com.

By Order from Board of Directors
Company Secretary

PROPOSED AMENDMENTS IN MEMORANDUM OF ASSOCIATION (MOA)

Amendments in section 5(kha), and 5(ga) of Memorandum of Association

S.NO	RELATED TOPICS	PREVAILING ARRANGEMENT	PROPOSED AMENDMENT	REASONS
1	Capital Composition of the Bank	<p>5. Capital Composition of the Bank</p> <p>5(kha). The total issued capital of the Bank will be NPR 9,089,817,290. (In words: Nine Billion Eighty Nine Million Eight Hundred Seventeen Thousand Two Hundred Ninety Only). Such capital consists of 90,898,172.90 number of ordinary shares of NPR 100 each. The minimum issued capital of the Bank will be NPR 9,089,817,290</p> <p>(In words: Nine Billion Eighty Nine Million Eight Hundred Seventeen Thousand Two Hundred Ninety Only).</p> <p>5(ga). The minimum paid up capital of the Bank will be NPR 9,089,817,290 (In words: Nine Billion Eighty Nine Million Eight Hundred Seventeen Thousand Two Hundred Ninety Only)</p>	<p>5. Capital Composition of the Bank</p> <p>5(kha). The total issued capital of the Bank will be NPR 9,817,002,673 (In words: Nine Billion Eight Hundred Seventeen Million Two Thousand Six Hundred Seventy Three Only). Such capital consists of 98,170,026.73 number of ordinary shares of NPR 100 each. The minimum paid up capital of the Bank will be NPR 9,817,002,673</p> <p>(In words: Nine Billion Eight Hundred Seventeen Million Two Thousand Six Hundred Seventy Three Only).</p> <p>5(ga). The minimum paid up capital of the Bank will be NPR 9,817,002,673 (In words: Nine Billion Eight Hundred Seventeen Million Two Thousand Six Hundred Seventy Three Only).</p>	<p>The proposed 8% bonus dividend from the board of directors of NPR 727,185,383.18 (In words: Seven Hundred Twenty Seven Million One Hundred Eighty Five Thousand Three Hundred Eighty Three and paisa Eighteen Only) led to increase in total issued and paid up capital.</p>

PROPOSED AMENDMENTS IN ARTICLES OF ASSOCIATION (AOA)

S.NO	RELATED TOPICS	PREVAILING ARRANGEMENT	PROPOSED AMENDMENT	REASONS
1	Allowances and facility related to Directors	<p>Regulation 29(1)</p> <p>(Nga) Other facility as approved by Annual General Meeting from time to time.</p> <p>(ee) Not existing</p>	<p>Regulation 29(1)</p> <p>(Nga) Other facility as approved by Annual General Meeting from time to time.</p> <p>(ee) Insurance against Covid-19 of NPR 100,000 each to Chairman and Board Members and medical insurance of NPR 300,000 each to Chairman and Board Members along with their family members.</p>	<p>Covid-19 Insurance along with medical insurance has been additionally increased to protect against the risk arising from Covid-19 based on the notice issued by the SEBON dated August 6, 2020 (Shrawan 22, 2077).</p>

INFORMATION TO SHAREHOLDERS

SHAREHOLDERS COMMUNICATION

The Bank recognizes the need for keeping its members and stakeholders informed of the events of their interests through present means of communication. The Bank regularly communicates all the appropriate and relevant information to shareholders, customers and the general public through print media (national daily) and electronically through the Bank's official website, <http://ctznbank.com/>. The detailed information on Annual General Meeting including ordinary agendas and special agendas to be discussed in the meeting is published in the national daily newspapers, 21 days prior to the date of Annual General Meeting as per the requirement of the Companies Act. The financial results of the Bank are submitted to the stock exchanges, where the securities of the Bank are listed, immediately after the conclusion of the Board Meeting approving the same. The results are also published in at least one national daily newspaper circulating in the whole or substantially the whole of Nepal. The Bank furnishes results to the shareholders on yearly basis.

Over the years, the timeliness of conducting Annual General Meeting (AGM) shows how enthusiastic the Bank is to communicate the information and reports to the shareholders.

Equally, the Bank has been publishing an interim financial report within the stipulated time of 30 days as prescribed by the Securities Board of Nepal. The Bank also publishes Basel-III Disclosures as prescribed by point 7.4(b) of Capital Adequacy Framework, 2007 (updated July, 2008) under Directive 1 of NRB Unified Directives on the Bank's website on a timely basis.

DIVIDEND PAYMENT, BONUS SHARE DISTRIBUTION, AND TAX IMPLICATION

As per section 88(2) read with Section 92(1) (a) of Income Tax Act, 2002, the tax on dividend distributed by the Bank is subject to final withholding tax (Tax Deduction at Source, TDS) at the rate of 5%. Similarly, distribution of bonus share is deemed a distribution of dividend as per section 53(1) (b) of Income Tax Act, 2002.

Similarly, Section 47A (5) of Income Tax Act, 2002 has provided a tax exemption on the dividend paid by the Financial Institutions that have merged or acquired another Financial Institutions to the shareholders that existed as on date of such migration/ acquisition.

Uncollected cash dividend after five years is transferred to Investor's Protection Fund, as per the provision of Companies Act. The fund is being operated by Office of Company Registrar, Nepal Government. Investors may lodge their mandate with Bank's Registrar & Share Transfer Agent i.e. CBIL Capital Ltd., Dillibazar, Kathmandu, Nepal.

S.NO.	FISCAL YEAR	AMOUNT
1	2011/12	3,813,896.00
2	2012/13	7,325,255.25
3	2013/14	2,962,600.00

COMPLAINT HANDLING OF INVESTORS

As part of its commitment to improve quality and customer service, the Bank encourages to receive feedbacks on the service provided to investors for proper funds management. The Bank aims to create and maintain among its employees, senior management and directors (the "directors" or "Board of directors"), a culture of treating all investors fairly and diligently. Thus, the Bank handles all complaints from investors who invest in funds for which the Bank acts as management company in a professional, correct and prompt manner and in accordance with its internal instruction. In order to ensure a consistent and efficient investor-oriented approach for shares registration service, the Bank has appointed CBIL Capital Limited for:

- Maintaining the shareholder's list of the Bank.
- Safe keeping deposit & withdrawal of securities certificates & transfer of ownership / rights in dematerialized form.
- Registration of transfer (NaamSaari) of shares.
- Delivery of share certificate to the stock exchange after transfer of the share in the name of the buyer.
- Distribution of remaining bonus shares, cash dividend, IPO share certificate.
- Assisting the company for preparation/ conduct of the Annual General Meeting / Extraordinary General Meeting / Special General Meeting.

PROCEDURE FOR THE SHAREHOLDER COMPLAINTS/ENQUIRES**A. CONTACT TO REGISTRAR**

The Bank has appointed CBIL Capital Limited as its Registrars and Share Transfer Agent (RTA) with a mandate to process transfer of Shares / Bonds, dividend / interest payments, recording of Shareholders' requests, solution of investors' grievances amongst other activities connected with the issue of Shares / Bonds. Shareholders / investors who wish to lodge Complaints / enquiries shall at first instance contact the registrar, CBIL Capital Limited. Upon the receipt of complaint / enquiries, Registrar shall either address within the timeline as per our agreement with them. They are also bound to provide with relevant details of such complaints to the Bank.

The Investors may lodge their transfer deed / requests / complaints with the RTA at following address:

CBIL CAPITAL LIMITED

Registrar to Share Division

Batule Ghar, Dillibazar – 33

Kathmandu, Nepal

Phone: (977-1) 4417723 / 4417457 / 4418526 / 4421235

Fax: (977-1) 4239306

E Mail: info@cbilcapital.com

B. CONTACT CHIEF INFORMATION OFFICER

If the registrar is unable to satisfactorily address the enquiries and resolve the complaints, then shareholder may contact the office of the Chief Information Officer of the Bank.

ADDRESS OF THE CHIEF INFORMATION OFFICER**MR. BODH RAJ DEVKOTA**

Deputy Chief Executive Officer/ Chief Information Officer

Citizens Bank International Limited

P.O.Box: 19681, Narayanhiti Path, Kathmandu, Nepal

Toll-Free Number: 977-1-6600166667

TEL: 977-1-4427842/4427843

Fax: 977-1-4427044

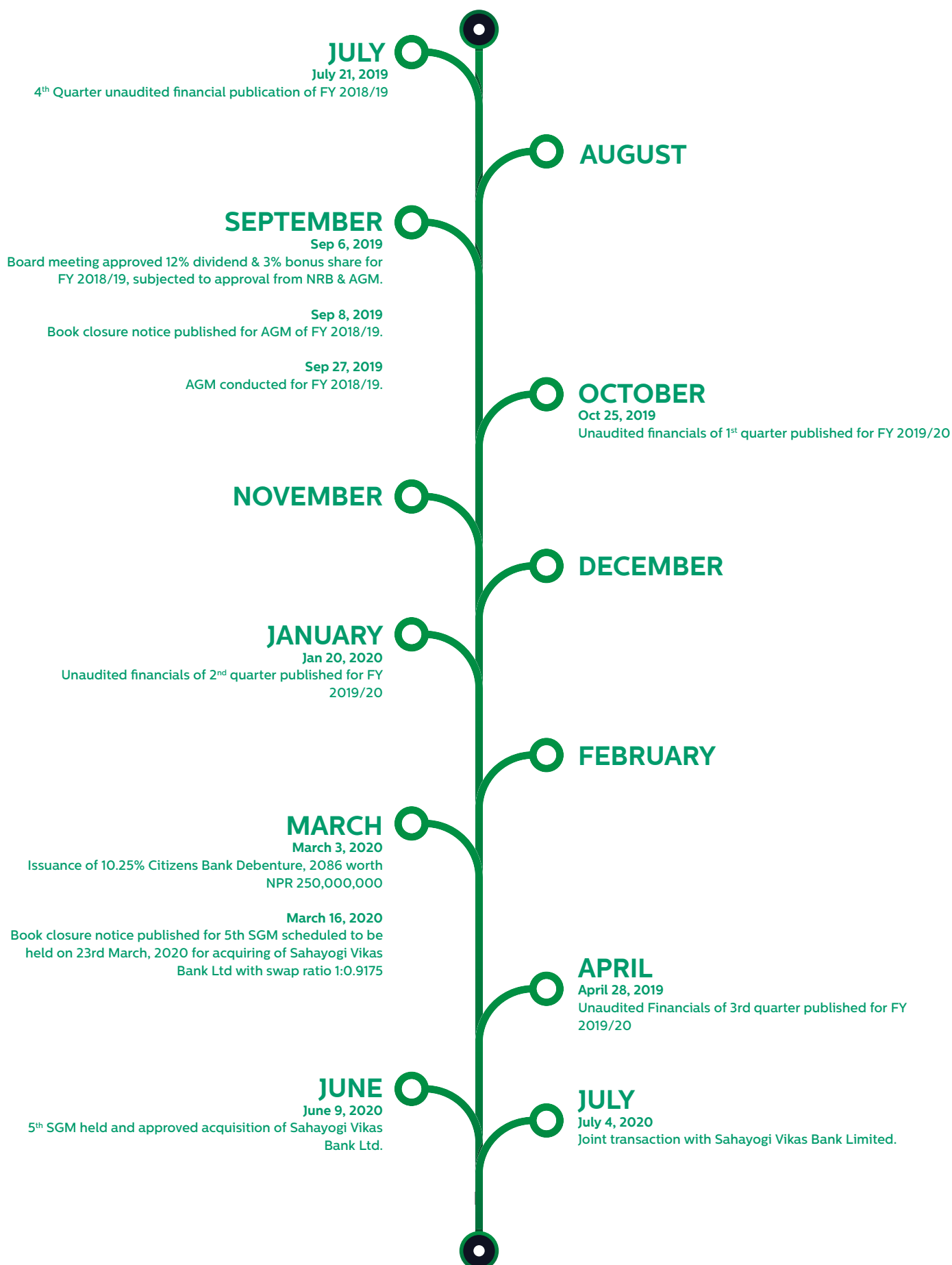
Email: info@ctznbank.com

URL: www.ctznbank.com

C. CONTACT ONLINE

Investors can lodge the complaints and inquiries via online complaint handling. The reporting and resolution process for investors and shareholders are same as the Bank follows with valued customers.

FINANCIAL CALENDAR



CAPITAL STRUCTURE OF THE BANK

DETAILS OF OUR SHARE CAPITAL AND SHARE DISTRIBUTION

NPR IN MILLION

PARTICULARS	2019/20	2018/19	2017/18
Paid-up Share Capital at the end of the year	9,089.82	8,371.06	8,033.24
Less: Share Issued	467.63	46.38	-
Less: Bonus Shares Issued	251.13	291.44	1,107.47
Paid-up Share Capital at the beginning of the year	8,371.06	8,033.24	6,921.69

NPR IN MILLION

HOLDER	FY 2019/20		FY 2018/19		FY 2017/18	
	AMOUNT	% HOLDING	AMOUNT	% HOLDING	AMOUNT	% HOLDING
Institutional Promoter Shares	457.46	5.03%	444.13	5.31%	431.19	5.37%
Individual Promoter Shares	4,178.35	45.97%	3,825.11	45.69%	3,689.42	45.93%
Public Shareholder	4,454.01	49.00%	4,101.82	49.00%	3,912.63	48.70%
Total	9,089.82	100.00%	8,371.06	100.00%	8,033.24	100.00%

PARTICULARS	FY 2019/20	FY 2018/19	FY 2017/18
No. of Shareholder Holding 0.5 % or more shares	30	34	34
% of Holding	37.67%	41.87%	42.36%

DETAILS OF SHARES HELD BY DIRECTORS AND EXECUTIVE MEMBERS

NAME	DESIGNATION	NO. OF SHARES HELD AS ON FY END OF 2018/19
Rajan Singh Bhandari (Chandra Investment Pvt. Ltd.)	Chairman	332,031.70 PROMOTOR SHARE
Prakash Chandra Mainali	Director	796 ORDINARY SHARE
Bijaya Dhoj Karki	Director	215 ORDINARY SHARE
Seeta Karki (K.C.)	Director	4,746 ORDINARY SHARE
Prabal Jung Pandey	Director	1,794.22 PROMOTOR SHARE
Sajan Sharma	Director	55,917.59 PROMOTOR SHARE
Sudesh Khaling Rai	Professional Director	
Ganesh Raj Pokharel	CEO	210,574 PROMOTOR SHARE 118,247 ORDINARY SHARE
Bodh Raj Devkota	DCEO	34,863 ORDINARY SHARE
Ramdhan Shrestha	ACEO	322,878 PROMOTOR SHARE 33,019 ORDINARY SHARE
Rajendra Lal Shrestha	CRRO	-
Paras Kumar Kafle	COO	16,364 ORDINARY SHARE
Umang Sharma	CAO	16,050 ORDINARY SHARE
Sumit Babu Khatri	CCO	-
Sanjeeb Kumar Shrestha	CITO	20,033 ORDINARY SHARE
Pramesh Raj Kayastha	CFO	-

SHARE MARKET INFORMATION

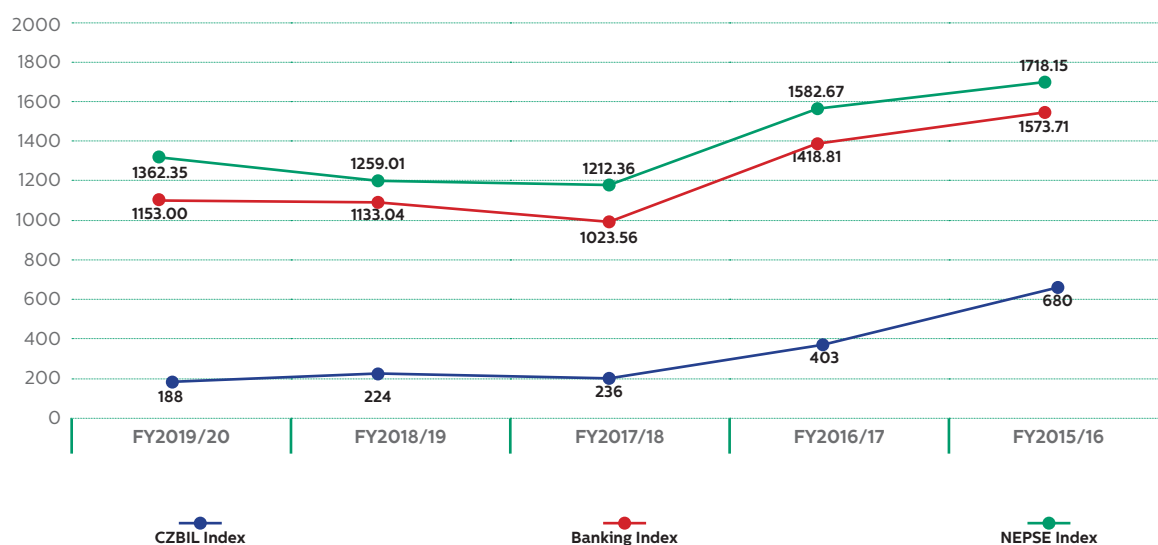
STOCK SYMBOL

The Bank's shares are traded on the Nepal Stock Exchange Ltd. (NEPSE) with stock symbol "CZBIL" for ordinary shares and "CZBILP" for promoter shares.

PARTICULARS	SYMBOL	YEAR END 2018/19 CLOSING PRICE NPR
Ordinary Shares	CZBIL	188
Promoter Shares	CZBILP	150

PARTICULARS	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17	FY 2015/16
CZBIL Index	188	224	236	403	680
Banking Index	1,153.00	1,133.04	1,023.56	1,418.81	1,573.71
NEPSE Index	1,362.35	1,259.01	1,212.36	1,582.67	1,718.15

SHARE MARKET INFORMATION



WHAT DOES CREDIT RATING AGENCY (ICRA NEPAL) THINK ABOUT US?

During the review year, ICRA Nepal after the due consideration of the recent developments of the Bank and also considering the protective elements, has reaffirmed the rating of Bond to “[ICRANP] LBBB+” (pronounced ICRA NP L Triple B Plus) same as that rated on May 2017 for the Subordinated Bond Program of NPR 500 million (8.5% Citizens Bank Bond 2021).

ICRA Nepal has assigned the rating of “[ICRANP] LBBB+” (pronounced ICRA NP L Triple B Plus) to the NPR 2,500 million Subordinated Bond. Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.

Furthermore, ICRA Nepal has also reaffirmed the issuer rating of “[ICRA NP-IR] BBB+” (pronounced ICRA NP Issuer Rating triple B Plus) to the Bank which signifies that the Bank carries higher than the average credit risk. This rating of ICRA Nepal is an opinion on the general credit worthiness of the Bank and not on any particular debt instrument.

The Bank has improved its market positioning through franchise expansion and scale up in operations while maintaining adequate profitability and progressively improving its asset quality indicators. The ICRA has positive impressions on the Bank’s Management Team and the indications of the Bank’s adequate capitalization levels.

The Bank has balanced portfolio mix with 51% credit along the retail/SME segment as of July 2019. The relatively moderate credit concentration risks to around twenty four percentage of the portfolio among top 20 borrowers group has positively indicated the Bank’s performance. The result of rating shows our market credibility and believability.

PARTICULARS	OCTOBER 2019
Rating for Subordinated Bonds	ICRA Nepal has reaffirmed the rating of “[ICRANP] LBBB+” (pronounced ICRA NP L Triple B Plus) to the Subordinated Bonds of Citizens Bank International Limited.
Meaning	Instruments with [ICRANP] LBBB+ rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.
General Issuer Rating	ICRA Nepal reaffirmed the rating of [ICRANP-IR] BBB+ (pronounced ICRA NP Issuer Rating Triple B Plus) of the Bank.
Meaning	[ICRANP-IR] BBB+ indicates the moderate credit quality rating i.e. higher than average credit risk.
Market Share – Credit	2.58% in terms of credit portfolio in Nepal’s commercial banking system as on mid-July, 2019.
Factors for Positive Rating	Franchise expansion (81 branches and 78 ATMs spread across Nepal) as on issuance of rating results. Adequate capitalization (CRAR of 14.37% as of mid-July, 2019) Net Interest Margin of 3.2% Experienced management team The Bank reported improvement in NPLs from 2.02% in July 2016 to 1.13% in July 2019 aided by the dilution effect of portfolio growth. Focus on the Retail/SME segment of loans which stood at 51% as of July 2019 along with moderation in credit concentration risks (top 20 borrower groups accounted for 24%)
Constraints on Rating	Higher concentration of deposits among the top 20 accounts (39% as of mid-July 2019). Higher exposure to relatively vulnerable sectors like real estate sector, loan against shares and hire purchase loans (23% as of July 2019 vs 12% of the Industry) Credit portfolio remains concentrated among the top 20 borrowers accounting to 24% of portfolio as of July 2019. The Bank has lower proportion of cost Current and Saving Accounts (CASA) deposit, 30% as of mid-July 2019 vs 43% for the industry.



Citizens Bank International Limited

ICRA Nepal reaffirms issuer rating of [ICRANP-IR] BBB+ and rating of [ICRANP] LBBB+ for subordinated debentures

Facility/Instrument	Amount	Rating Action (October 2019)
Issuer Rating	NA	[ICRANP-IR] BBB+ (Reaffirmed)
Subordinated Debenture Programme	NPR 2,500 Million	[ICRANP] LBBB+ (Reaffirmed) ¹
Subordinated Debenture Programme	NPR 500 Million	[ICRANP] LBBB+ (Reaffirmed)

ICRA Nepal has reaffirmed the issuer rating of **[ICRANP-IR] BBB+** (pronounced ICRA NP issuer rating triple B plus) assigned to Citizens Bank International Limited (CZBIL). The sign of + (plus) or – (minus) appended to the rating symbols indicate their relative position within the rating categories concerned. Issuers with this rating are considered to be of moderate credit quality as they carry a moderate credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and is not specific to any particular debt instrument. ICRA Nepal has also reaffirmed the rating of **[ICRANP] LBBB+** for CZBIL's subordinated debenture programmes. Instruments with this rating are considered to have a moderate degree of safety regarding the timely servicing of financial obligations.

The rating actions factor in the bank's adequate track record (operating since April 2007), its increasing presence across the country and the gradual scale-up in operations with improving asset quality indicators (overall delinquencies of ~7% as of mid-July 2019). ICRA Nepal also positively takes note of the moderation in portfolio growth in recent periods (~17% credit growth in last three fiscals against ~22% for industry), compared to the above-industry growth recorded earlier. The bank's comfortable capitalisation with an experienced and stable board/management team could support its future growth plans of attaining a largely similar pace of growth while maintaining comfortable asset quality indicators. CZBIL's balanced portfolio mix with ~51% credit along the retail/SME² segment as of mid-July 2019 results in relatively moderate credit concentration (~24% among top 20 borrower groups), which also remain rating positives. The rating action also takes note of the gradual improvement in the bank's net interest margins (NIMs increased to 3.20% in FY2019 as against 2.93% for FY2017) which supported the profitability amid lowering quantity of provision write-backs.

The ratings are, however, constrained by the bank's relatively inferior deposit profile with the proportion of low-cost current and savings accounts (CASA) continuing to remain low among its peers (~30% as of mid-July 2019 against ~43% for the industry), despite some recent improvement. Hence, the bank's cost of deposits remains much higher compared to industry average (8.32% for FY2019; 6.48% for the industry). This could impact its competitive positioning in the base rate-based lending regime where lending rates are linked to cost of funds. Additionally, high deposit concentration (~39% among top 20 depositors) also remains a rating concern. Nonetheless, focus on the high-yielding retail/SME credit segments, enables the bank to maintain adequate profitability despite higher cost of funds. The ratings also factor in high exposure to relatively vulnerable sectors (including real estate, loan against shares and hire purchase loans) at ~23% as of mid-July 2019 (~12% for the industry).

The ratings also consider the uncertain operating environment amid liquidity constraints and volatile interest rates that the banks in Nepal are currently facing which can have an impact on their asset quality and profitability. The bank's ability to grow its portfolio judiciously amid the ongoing shortage of fresh lendable funds in the industry, while maintaining a comfortable asset quality and improving the mix, cost and granularity of deposits would remain the key rating drivers.

CZBIL reported a portfolio growth of ~17% in the last three fiscals, lower than the industry growth of ~22%. The pace of growth moderated compared to ~31% growth in the earlier three years ended mid-July 2016, albeit on a small base. Higher growth in the low interest rate regime of FY2014-FY2016 could create stress on the bank's asset quality profile, given the upward movement of interest rates thereafter.

¹ Initially rated in October 2018, yet to be issued; interest rate offered has increased to 10.25% from 9% earlier, rest terms largely remaining the same.

² Small and medium sized enterprises



CZBIL's portfolio mix, as of mid-July 2019, primarily comprised large corporate loans (~46%), followed by retail (~38%), SME (~11%) and deprived sector loans (~5%; ~50% of these are towards wholesale/retail microfinance). The high exposure to retail/SME loans that carry better rates have supported the bank's lending yields (13.16% for FY2019, 12.61% for the industry) while maintaining moderate concentration risks (~24% among top 20 borrowers accounting for ~138% of bank's tier-I capital as of mid-July 2019). Going forward, the management intends to increase the franchise while continuing to focus on the retail/SME segments. The proposed acquisition of a regional development bank would further increase its presence in that geography, in addition to aiding the portfolio granularity to an extent. The bank's ability to achieve the growth targets along with commensurate risk control measures would have a key bearing on its financial profile.

The bank has reported an improvement in its asset quality indicators in last few years with non-performing loans (NPLs) declining to 1.13% as of mid-July 2019 (2.02% as of mid-July 2016) compared to 1.40% for the industry. However, higher non-banking assets (NBAs, mainly from acquired entities) resulted in slightly higher adjusted gross NPLs at 1.47% as of mid-July 2019 against 1.58% for the industry. The bank's overall delinquencies also remain comfortable at ~7% as of mid-July 2019, although slightly increased compared to the earlier ~4% as of mid-July 2016. ICRA Nepal also takes comfort from the bank's ability to absorb losses (net NPL/net worth was <1% in last two fiscals). The banking sector could witness asset quality pressure over the medium term due to the stress in the repayment capability of borrowers after the increased interest rates in the last few years. The bank's ability to maintain healthy asset quality would remain a key monitorable, given the prevailing high rate scenario.

CZBIL's relatively inferior deposit profile continues to remain a major rating concern. Despite some recent improvement, the bank still has low CASA proportions (~30% as of mid-July 2019 compared to ~27% a year ago) compared to the industry average (~43%). This, along with sizeable chunk of term deposits (~63% as of mid-July 2019), has led to a high cost of deposits at 8.32% in FY2019 (4.23% in FY2016) compared to 6.48% for the industry. Additionally, the deposit concentration also remains high at ~39% among top 20 depositors as of mid-July 2019. Deposit growth in the last three years (ending mid-July 2019) also remained low compared to the industry (~14% vs ~18%). The bank's credit to core capital and deposits ratio (CCD) remained in the range of ~77-78% (against the regulatory cap of 80%) in last three years. However, the CCD constriction in these years is largely comparable to the industry trend across most players. Hence, changes in the deposit mix, concentration and cost would remain the key monitorable.

On the capitalisation front, the bank reported a capital-to-risk weighted assets ratio (CRAR) of 14.37% and tier-I capital of 13.46% (both as per Basel III) as of mid-July 2019. These remain comfortable compared to the minimum regulatory requirement of 11% and 8.5%, respectively (both including capital conservation buffer (CCB) of 2.5%). The bank's capitalisation is also comfortable against the recent increment in tier-I requirement to 10.5% (to be met by mid-July 2020), including the 2% countercyclical buffer requirements for FY2020. Additionally, the proposed debentures would further support the bank's capitalisation profile in addition to ensuring compliance with the recent regulatory requirement of issuing debentures amounting to at least 25% of the equity capital. Hence, the bank's capitalisation is likely to remain adequate over the near term to absorb any near-term stress in its asset quality profile as well as to support its growth plans.

As for profitability, the bank has reported gradual improvement in NIMs in last two years to 3.20% for FY2019 from 2.93% for FY2017. The industry reported an improvement in NIMs by 40 bps to 3.82% over the same period. Similarly, the bank's lending spreads are also lower to the industry (4.84% for FY2019 vs. 6.12% for industry). However, many players in the industry are to reduce their margins to ensure compliance with the revised local currency interest spread cap of 4.4% (earlier 4.5%, which used to include the yield on Government securities; to be excluded henceforth). Since CZBIL's spreads are already compliant to the same (4.13% for the month ending on mid-September 2019), its profitability profile is not expected to be significantly impacted by virtue of this regulation. In the past, CZBIL's earnings profile had been supported, to an extent, by sizeable provision write-backs (especially in FY2017 when provision reversals were 0.52% of average total assets-ATA). This emanated from the recovery of NPLs and NBAs of acquired entities. With a declining quantum of provision reversals (0.16%



of ATA for FY2019), the bank's return on net worth remained in the range of ~12% for the last two fiscals (~16% for industry), reduced from ~15% for FY2017. Similarly, its return on assets declined to 1.74% for FY2019 from 1.80% for FY2017. However, the profitability has been supported by healthy business growth, modest non-interest income (1.07% of ATA) and a moderate operating expense ratio (~1.8% of ATA). Going forward, CZBIL's ability to maintain healthy NIMs and asset quality will be critical for its profitability.

Analytical approach: For arriving at the ratings, ICRA Nepal has applied its rating methodology as indicated below.

Links to applicable criteria:

[Issuer Rating Methodology](#)

[Bank Rating Methodology](#)

Bank Profile

Citizens Bank International Limited (CZBIL) started its commercial operations on April 20, 2007 as a Class A commercial bank. The Narayanhiti, Kathmandu-based bank is largely promoted by individuals from different backgrounds along with a few institutions (including Citizen Investment Trust³ with 4.49% stake). As of mid-July 2019, CZBIL's promoter:public shareholding stood at ~51:49. The bank's equity shares are listed on the Nepal Stock Exchange and are traded actively.

CZBIL's 81 branches and 78 ATMs, as of mid-July 2019, provide it with a diversified presence in the country. The bank's market share was 2.45%, in terms of its deposit base, and 2.58% of the total advances of the commercial bank industry as of mid-July 2019. CZBIL reported a profit after tax of NPR 1,463 million during FY2019 (audited; ~19% YoY growth) over an asset base of NPR 90,121 million as of mid-July 2019. As of mid-July 2019, CZBIL's CRAR was 14.37% and gross NPLs were 1.13%. In terms of technology platforms, the bank has implemented Finacle in all its branches.

October 2019

For further details please contact:

Analyst Contacts:

Mr. Kishor Prasad Bimali, (Tel No. +977-1-4419910/20)

kishor@icranepal.com

Mr. Rajib Maharjan, (Tel No. +977-1-4419910/20)

rajiib@icranepal.com

Relationship Contacts:

Ms. Barsha Shrestha, (Tel. No. +977-1-4419910/20)

barsha@icranepal.com

About ICRA Nepal Limited:

ICRA Nepal Limited, the first credit rating agency of Nepal, is a subsidiary of ICRA Limited (ICRA) of India. It was licensed by the Securities Board of Nepal (SEBON) on October 3, 2012. ICRA Nepal is supported by ICRA Limited through a technical support services agreement, which envisages ICRA helping ICRA Nepal in areas such as the rating process and methodologies, analytical software, research, training, and technical and analytical skill augmentation.

Our parent company, ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment information and credit rating agency. Today, ICRA and its subsidiaries together form the ICRA Group of

³ One of the largest state-owned retirement fund operators



Companies. The international credit rating agency, Moody's Investors Service, is ICRA's largest shareholder.

For more information, visit www.icranepal.com

ICRA Nepal Limited,
Sunrise Bizz Park, 6th Floor, Dillibazar, Kathmandu, Nepal
Phone: +977 1 4419910/20
Email: info@icranepal.com
Web: www.icranepal.com

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DISCLOSURES OF INFORMATION UNDER SECTION 109(4) OF COMPANIES ACT, 2006

a) Business review of the previous year

This has been disclosed in detail in Director's Report.

b) Any impact caused to the business of the company due to national and international condition, risk that may arise from fluctuation in exchange rate in course of foreign exchange transactions, economic risks of affecting Nepalese market as an impact of recession in the international market

Devaluation of Nepalese currency in comparison to foreign currency on account of fluctuating foreign exchange rate has resulted in increase in the price of raw materials used for manufacturing and industrial purpose and has subsequently reduced production. Similarly, international recession might decrease tourism and remittance affecting the entire banking sector. Economic depression on International market due to Covid-19 as well as fear arising due to Covid-19 will have a direct impact on tourism, remittance and import, which will subsequently affect the Banking sector.

c) Current year's achievement till the preparation of the Director's Report and Board of Directors' view on future activities of the company

As per the Current Year Financial Report of October 14, 2021, there has been increase in total deposit by NPR 6,080,504,697 and the total deposit is NPR 98,265,637,116. For loan & advances, there has been increase in loan by NPR 1,641,023,786 and Loan & Advances is NPR 82,924,418,049.

The future program and plan has been provided in director's report.

d) Industrial and professional relations of the company

The Bank maintains sound and cordial relationship with all its stakeholders related to industrial and professional sectors.

e) Changes in the Board of Directors and the reason thereof

This has been discussed under the heading "Change in Board of Directors and its Reason" in Director's Report.

f) Main factors that affect business activities

1. Risks that have arose due to Covid 19 pandemic has negative impact in the day-to-day operations of the Bank and associated risks to the health of staffs and precautions & preventions related to that.
2. Risks that may arise due to change in economic state of affairs of the country.
3. Risks that may arise due to change in financial, monetary and economic policy of the country.
4. Risks that may arise due to change in policy relating to Commercial Banks by Nepal Government or Nepal Rastra Bank.
5. Risks that may arise from change in the exchange rate in course of foreign exchange transactions.
6. Risks arising from changes in the interest rate of loans & advances and deposits and risks relating to business growth due to liquidity crunch in the market.
7. Risks relating to deposit collection and loans and advances increment due to absence of suitable market.
8. Risks arising from non-recovery of loans & advances on time.
9. Possible risks that may arise while providing non-funded services such as issuing LC and Guarantee.
10. Economic risks affecting Nepalese market due to recession in the international market.
11. Risks that may arise due to fluctuations in the capital market.
12. Risks arising from lack of alternative investment sectors.
13. Risks arising from negative impact in economy due to fluctuation in remittance income.
14. Effects due to unstable political affairs of the country.
15. Effects due to immense competition in banking sector.
16. Risks arising due to absence of centralized data system and adequate technology for minimizing money laundering.
17. Risks related to providing high returns to shareholders due to effect of new standards in capital at the time of narrow income source
18. Operational Risks arising from development of information technology.

g) Any remarks and observation stated in the Independent Auditors' Report and Board of Directors' response thereon

No material remarks.

h) Amount recommended for distribution of dividend

From the distributable profit of FY 2019/20, bonus share of 3.00 Percent (i.e. NPR 272,694,518.69) and cash dividend of 8.00 percent (i.e. NPR 727,185,383.18) of paid-up capital of NPR 9,089,817,290 as of mid-July, 2020 has been recommended for distribution as dividend.

i) Details of shares forfeited (number of shares, face value, amount received by the company prior to forfeiture, amount received by the company after putting such forfeited shares into subscription and amount refunded on account of forfeited shares)

The Bank has not forfeited any shares.

j) Review of the progress made by the Company and its subsidiary(s) in the previous fiscal year and the position of the same at the end of that fiscal year

The review of the progress made by the Company and its subsidiary CBIL Capital Limited & CBIL Securities Limited in the previous fiscal year and the position of the same at the end of that fiscal year is reflected through Consolidated Financial Statements. The synopsis of the same is also presented in Director's Report.

k) Major transactions completed by the company and its subsidiary company in the financial year and any material changes that have taken place in transactions of the company during that period

The major transactions of the Bank and the subsidiary CBIL Capital Limited having investment of NPR 11,724,200 & CBIL Securities Limited having investment of NPR 50,000,000 for the period of 2019/20 have been clarified in the Consolidated Financial Statements and Audit Report.

l) Disclosures made by the substantial shareholders of the company to the company in the previous financial year

No such information has been received.

m) Details of shareholding taken by the directors and officers of the company in the previous financial year and in the event of their involvement in share transaction of the company, details of information received by the company from them in that respect

Details of shareholding taken by the directors are as follows:

S.No.	Position	Name	Shareholding Pattern	Total Shares
1	Chairman	Mr. Rajan Singh Bhandari (Chandra Investment Pvt. Ltd.)	Promoter	332,031.70
2	Director	Mr. Prakash Chandra Mainali	Public	796.00
3	Director	Mr. Bijaya Dhoj Karki	Public	215.00
4	Director	Mrs. Seeta Karki (K.C.)	Public	4,746.00
5	Director	Mr. Prabal Jung Pandey	Promoter	1,794.22
6	Director	Mr. Sajan Sharma	Promoter	55,917.59
7	Independent Director	Mr. Sudesh Khaling Rai	Independent Director	-

n) Information provided on personal interest of Board of Directors and the irrelative (nearest kin) regarding contractor agreement done with the Company during previous financial year

The Bank has not received any such information.

o) Buyback of share by the Company, reason thereof for buyback, and number of shares bought back, face value of share and amount paid during the buyback

The Bank has not bought back any shares.

p) Information on existence/non-existence of internal control system and its detail

The Bank has the following policies, procedures, and mechanism in place to ensure Internal Control System:

1. Financial Bye laws, Employee Byelaws, Loan Write-Off policy, Credit Policy Guidelines and other operational policies, procedures and guidelines for Operational process.
2. Independent Internal Audit Department has been formed.
3. A system has been developed for regular supervision of internal control system by Audit Committee.
4. All efforts are made to ensure that the Bank adheres to good corporate governance.
5. Credit risk management department has been formed which is separate from credit business line to minimize the risk on credits.
6. Formation of Organizational Structure of Risk Management & AML/CFT Compliance Department, who will be responsible to Risk Management Committee & AML/CFT Committee in order to minimize Operational & AML/CFT risk.

q) Details of total management expenses incurred during the previous financial year

S.NO.	PRATICULARS	AMOUNT (NPR)
1	Staff Expenses	935,254,564
2	Office operating expenses	716,264,893

r) Name list of members in the audit committee, remuneration, allowance and benefits they have received, details of the functions performed by that committee, and details of suggestions, if any, made by that committee

1. Audit Committee:

S.NO.	NAME	OVERALL DESIGNATION	POSITION HELD
1	Mrs. Seeta Karki (K.C.)	Director	Coordinator
2	Mr. Sajan Sharma	Director	Member
3	Mr. Ram Dhan Shrestha	Head of Internal Audit Department	Member Secretary

2. Apart from sitting fees, no any remuneration or facilities are provided to Audit Committee members.

3. The committee meeting was held 14 times during the FY 2019/20.

4. As per the prevailing law, the Audit Committee has reviewed overall financial status, internal controls, audit plans as well as given instructions for taking corrective action as per the query/remarks of the internal auditor and external auditor. The Audit Committee had also reviewed and ensured that any remarks pointed out by Regulation & Supervision Department of NRB has been complied with as well as this information were provided to the Board of Directors, assisted the management in preparation of Financial report in true and fair way, analyzed whether the operation of the Bank has been carried out in continuous, economical, relevant, influential way & informed the same to the Board of Directors, reviewed the quarterly financial and presented to the Board.

s) Dues payable to the company by any director, MD, CEO, Substantial shareholder (holding share more than 1%) or their relatives or firms or institutions in which they have their involvement

The Bank has no such dues.

t) Remuneration, allowances, and benefits paid to Director, MD, CEO and Other Officials

S.NO.	POSITION	DIRECTOR (NPR)	FORMER CHIEF EXECUTIVE OFFICER (NPR)	CHIEF EXECUTIVE OFFICER (NPR)	OTHER EXECUTIVE OFFICER (NPR)
1	Sitting Fees	3,528,000*			
2	Remuneration and Allowances				
	a) Salary		8,400,000	12,080,160	12,699,011
	b) Allowances		3,000,000	9,581,520	19,041,957
	c) Dashain allowances		950,000	1,650,480	1,689,740
	d) Provident fund contribution		840,000	1,208,096	1,263,198
	Gross remuneration and allowances		13,190,000	24,520,176	34,693,907
	less: Income Tax		6,228,229	10,209,216	9,908,331
	Net remuneration and allowances		6,961,771	14,310,960	24,785,575
3	Bonus		As per prevailing Bonus Act		
4	Telephone/Mobile	249,000	As per contract with the bank		As per Employee Bye laws of the Bank
5	Fuel	487,892			
6	Newspaper	166,000			
7	Vehicle facility	No	Yes	Yes	
8	Accommodation facility	No	No	No	
9	Insurance	No	Yes	Yes	

*Including sitting fees of different committees of NPR 1,221,000

Notes:

1. Vehicle facility is provided to CEO along with the driver, fuel, and repair and maintenance. Other executive level officers are provided vehicle facilities along with fuel as per Employee Bye laws of the Bank.
2. There is the provision of accidental insurance, medical insurance as per rules of the Bank to all staffs including CEO. Similarly, there is also medical insurance facility for their dependent family members.
3. There is the provision of payment of mobile expenses of CEO and other executive level officers by the Bank as per rules.
4. Chairman of the Bank is provided with vehicle facility for official purpose.

u) Uncollected dividend by the shareholder

Dividend declared to the shareholders but not collected till the end of the reported fiscal year 2019/20 are as follows:-

S.NO.	FINANCIAL YEAR	AMOUNT (NPR)
1	FY 2008/09	264,940
2	FY 2009/10	516,848
3	FY 2010/11	709,638
4	FY 2011/12	1,661,746
5	FY 2012/13	2,346,933
6	FY 2013/14	2,813,772
7	FY 2014/15	4,579,023
8	FY 2015/16	18,623,419
9	FY 2016/17	18,407,771
10	FY 2017/18	13,469,123
11	FY2018/19	81,643,182
12	FY 2009/10- Nepal Housing And Merchant Finance Limited	149,340
13	FY 2010/11- Nepal Housing And Merchant Finance Limited	31,324
14	FY 2003/04 and FY 2004/05- People's Finance Limited	12,470
15	FY 2009/10- People's Finance Limited	19,236
16	FY 2006/07- Premier Finance Limited	67,120
17	FY 2009/10 - Premier Finance Limited	742,693
18	FY 2012/13- Sahayogi Vikash Bank Limited	15,149
19	FY 2013/14- Sahayogi Vikash Bank Limited	1,368

v) Information on asset bought or sold as per Section 141

Not applicable

w) Details of related party transactions as per section 175 (transactions between associated companies)

The details of related party transactions have been disclosed in the clause no. 5.7 in the annual financial statements of the Bank.

x) Any other details to be disclosed in the report from the directors in accordance with the Companies Act, 2006 or other prevailing laws

Not applicable

y) Any other pertinent details

Not applicable

DISCLOSURES OF INFORMATION UNDER REGULATION 26(2) OF SECURITIES REGISTRATION AND ISSUE REGULATION, 2017

1) DIRECTOR'S REPORT

Report presented separately in annual report.

2) AUDITOR'S REPORT

Report presented separately in annual report.

3) AUDITED FINANCIAL STATEMENT

Report presented separately in annual report.

4) LEGAL PROCEEDINGS:

a. A law-suit filed by or against the Bank during the period:

In fiscal year 2019/20, 6 law-suits have been filed by the Bank and 51 law-suits have been filed against the Bank.

b. A law-suit filed by or against the promoters or director of the Bank involving statutory regulations or criminal offence:

No such information has been received.

c. A law-suit, if any, filed against the promoters and director for committing economic crimes:

No such information has been received.

5) ANALYSIS OF STOCK PERFORMANCE OF THE BANK:

a. Management's view on stock performance of the Bank in the Stock Exchange:

Despite of the fluctuation in the share transaction of the organized institution in the stock market of the country, the Bank has satisfactory share transaction.

b. High, low and closing price of the stocks of the Bank during each quarter of the preceding year along with total volume of trading of the shares and number of days traded:

The same is as follows:

DETAILS	MID-OCT 2019 (NPR)	MID-JAN 2020 (NPR)	MID-APR 2020 (NPR)	MID-JUL 2020 (NPR)
High Price	233	205	240	201
Low Price	190	178	177	164
Closing Price	194	198	180	188
Total volume of trading of shares	1,098,386	750,024	2,462,795	239,575
Total days Traded	63	59	46	14

6) PROBLEMS AND CHALLENGES:

a. Internal Problems and Challenges:

Increasing the profit of the Bank has become challenging due to internal problems in present scenario such as increase/ decrease in interest rate, increase in operating expenses, income versatility, increase in nonperforming loans, identification of investment opportunities and increase in operational risk with the increase in transactions and branches.

b. External Problems and Challenges:

In the current context, non-payment of loans and interest on time, and a decline in the country's economy, due to the Covid 19 pandemic has led to a decline in banking business and is expected to have a further impact in the days to come.

It is challenging to manage the high competition in interest rates in lending and deposit, increase in non-performing loans and provide good returns to the shareholders keeping the interest spread rate intact, as well as the risk of adverse impact on the country's economy due to the pandemic. Similarly, in the current situation, the entire business has been affected adversely and substantial increase in compliance cost has affected the overall net profit and distributable profit of the Bank, which may have effect in dividend distribution as well. In the face of such challenges, intense competition in the banking sector, lack of skilled manpower in the banking

sector, new types of challenges in the field of information technology, lack of investor morale due to pandemic, low government development expenditure, etc. are the major external problems. In the current situation, it is challenging to expand the business of the Bank in a sustainable manner and give a fair return to the investors while maintaining the quality of assets.

c. Strategy

The strategy of the Bank is to provide financial services to the mass that are still without the reach of financial services by ways of expanding branches in local as well as rural and inaccessible areas. Likewise, the Bank aims to provide easy and quick customer oriented service in order to strengthen the relation with various business institutions and individual customers, strengthen the overall risk management system, taking up of cost control measures, and focus on providing quality service to the customers by the modernization of Core Banking System (CBS) of the Bank. Similarly, the Bank has also adopted a policy for providing banking services by minimizing the risks posed by Covid-19.

7) CORPORATE GOVERNANCE:

- a. In order to manage the internal control system of the Bank for the prosperity of Corporate Governance, as directed by NRB; the Bank has in place adequate Internal Audit Department, Compliance Department and Corporate Governance Unit. The Audit Committee of the Bank is proactive on implementing the suggestions and instructions of auditors and regulators.
- b. The Bank has formed Risk Management Department to minimize operational risk as well as to systematize the core functions. For minimizing and managing credit risk, the Credit Risk Department and Credit Department are treated as separate functional units. Similarly, in order to systematize the operation of departmental works, various internal policies, rules and regulations has been formed and implemented. In order to execute the transaction in robust way, several management committees like Executive Committee; Assets Liabilities Management Committee (ALCO) has been formed.
- c. The Board of Director and management remains alert and committed towards shareholders, general depositors, and preservation of interest of every stakeholders and corporate governance.

8) DETAILS ON DEVIATION OF 20 PERCENT OR MORE IN THE BANK'S AUDITED FINANCIALS IN COMPARISON TO FINANCIAL PROJECTED IN PROSPECTUS:

The projected financial statement in prospectus issued by the Bank, for issue of subordinated debenture of 2,500,000 units of 10.25% Citizens Bank Bond 2077 of NPR 1000 each amounting to NPR 2,500,000,000 to general public is based upon the assumption of increase in the business of banking industry. However, actual performance was adversely affected by Covid 19 pandemic situation; thus causing the Financial Statement items to deviate by more than 20% than that of projected.

STATEMENT OF FINANCIAL POSITION

NPR IN THOUSAND

STATEMENT OF FINANCIAL POSITION	FY 2019/20			
	AUDITED FINANCIALS (NPR)	PROJECTED FINANCIALS (NPR)	DIFFERENCE (%)	REASON FOR DEVIATION ABOVE 20%
Cash and Cash Equivalent	10,841,973	7,583,660	42.96%	Due to regular banking transactions
Due from Nepal Rastra Bank	2,430,001	3,707,000	-34.45%	Due to regular banking transactions
Placement with Bank And Financial Institutions	302,682	200,000	-84.87%	Due to regular banking transactions
Derivative Financial Instruments	1,029	26,690	-96.14%	Due to regular banking transactions
Other Trading Assets	90,624	74,600	21.48%	Due to regular banking transactions
Loans and Advances to B/FIs	1,534,104	1,908,400	-19.61%	
Loans and Advances to Customers	78,976,395	76,439,650	3.32%	
Investment Securities	11,828,333	11,580,630	2.14%	

Current Tax Assets	142,489	100,000	42.49%	Due to regular banking transactions
Investment in Subsidiaries	167,204	167,200		
Investment in Associates	18,952	17,950	5.58%	
Investment Property	195,533	147,550	32.52%	Investment property not disposed off as projected
Property and Equipment	2,554,050	2,324,250	9.89%	
Goodwill and Intangible Assets	75,323	91,160	-17.37%	
Deferred Tax Assets	-	70,000	-100%	Due to regular banking transactions
Other Assets	1,391,992	2,027,910	-31.36%	Due to regular banking transactions
TOTAL ASSETS	110,550,683	108,266,650	2.11%	
Due to Bank And Financial Institutions	3,688,904	6,594,850	-44.06%	Due to regular banking transactions
Due to Nepal Rastra Bank	567,577	1,394,480	-59.30%	Due to regular banking transactions
Derivative Financial Instruments	-	-	-	
Deposits From Customers	88,496,228	80,177,280	10.38%	
Borrowing	-	-	-	
Current Tax Liabilities	-	-	-	
Provisions	5,307	-	-	
Deferred Tax Liabilities	13,614	-		
Other Liabilities	1,386,952	1,768,720	-21.58%	Due to regular banking transactions
Debt Securities Issued	2,974,381	2,990,730	-0.55%	
Subordinated Liabilities	-	-		
Total Liabilities	97,132,962	92,926,060	4.53%	
Share Capital	9,089,817	8,622,190	5.42%	
Share Premium	4,124	-		
Retained Earnings	931,157	1,319,380	-29.42%	Due to impact of Covid-19, actual net profit is not as projected
Reserves	3,392,622	3,205,480	5.84%	
Total Equity Attributable To Equity Holders	13,417,720	13,147,050	2.06%	
Total Liabilities And Equity	110,550,683	108,266,650	2.11%	

STATEMENT OF PROFIT OR LOSS

NPR IN THOUSAND

STATEMENT OF PROFIT OR LOSS	FY 2019/20			
	AUDITED FINANCIALS (NPR)	PROJECTED FINANCIALS (NPR)	DIFFERENCE (%)	REASON FOR DEVIATION ABOVE 20%
Interest Income	9,489,525	9,877,540	-3.93%	
Interest Expense	(6,604,772)	(6,704,950)	-1.49%	
Net Interest Income	2,884,754	3,172,590	-9.07%	
Fees and Commission Income	582,214	833,560	-30.15%	Due to impact of Covid-19
Fees and Commission Expense	(57,732)	(102,570)	-43.71%	Due to impact of Covid-19
Net Fees and Commission Income	524,482	730,990	-28.25%	Due to readjustment of above
Net Interest, Fees And Commission Income	3,409,236	3,903,580	-12.66%	
Net Trading Income	281,338	155,730	80.66%	Due to impact of Covid-19
Other Operating Income	100,103	97,000	3.20%	
Total Operating Income	3,790,676	4,156,310	-8.80%	
Impairment (Charge)/Reversal For Loans And Other Losses	(640,133)	74,780	-956.02%	Due to impact of Covid-19
Net Operating Income	3,150,543	4,231,090	-25.54%	Due to readjustment of above
Operating Expense				
Personnel Expenses	(935,255)	(1,087,680)	-14.01%	
Other Operating Expenses	(504,580)	(563,900)	-10.52%	
Depreciation & Amortization	(211,685)	(160,260)	32.09%	Expense not as per projected
Operating Profit	1,499,024	2,419,250	-38.04%	
Non Operating Income	169,713	25,000	578.85%	Income not as per projected
Non Operating Expense	-	-	-	
Profit Before Income Tax	1,668,737	2,444,250	-31.73%	Due to readjustment of above
Income Tax Expense				
Current Tax	(469,449)	(733,280)	-35.73%	Due to readjustment of above
Deferred Tax	(783)	-		
Profit(Loss) For The Period	1,198,505	1,710,970	-29.85%	Due to impact of Covid 19, net profit is not as projected

INTERIM FINANCIAL REPORTING

FOR EACH QUARTER OF THE YEAR 2019-20

S.N.	PARTICULARS	Q I	Q II	Q III	Q IV
		AS ON MID OCT, 2019	AS ON MID JAN, 2020	AS ON MID APR, 2020	AS ON MID JULY, 2020
	TOTAL ASSETS	94,929,276,005	97,687,066,527	104,314,406,396	110,464,482,908
4.1	Cash and Cash Equivalent	8,432,442,028	9,094,264,762	9,322,048,364	10,841,970,776
4.2	Due from Nepal Rastra Bank	2,886,709,717	3,035,820,092	2,447,522,643	2,430,001,128
4.3	Placement with Bank and Financial Institutions	310,195,708	577,088,266	992,102,893	302,681,924
4.4	Derivative Financial Instruments	4,348,517	-	61,740,676	-
4.5	Other Trading Assets	131,960,877	178,519,349	86,145,675	83,326,123
4.6	Loans and Advances to B/FIs	1,493,906,313	1,618,051,772	1,435,156,938	1,534,103,548
4.7	Loans and Advances to Customers	67,554,182,330	69,098,125,352	75,014,268,291	79,169,816,178
4.8	Investment Securities	9,565,554,535	9,474,246,410	10,646,726,068	11,834,465,007
4.9	Current Tax Assets	-	38,565,244	-	147,088,331
4.10	Investment in Subsidiaries	167,204,200	167,204,200	167,204,200	167,204,200
4.11	Investment in Associates	17,951,500	17,951,500	17,951,500	18,951,500
4.12	Investment Property	222,486,988	216,421,596	195,532,789	195,532,789
4.13	Property and Equipment	2,332,537,836	2,343,487,930	2,380,196,703	2,491,635,388
4.14	Goodwill and Intangible Assets	87,950,759	83,827,410	79,151,536	77,833,303
4.15	Deferred Tax Assets	25,130,515	24,060,996	56,041,161	-
4.16	Other Assets	1,696,714,182	1,719,431,648	1,412,616,959	1,169,872,713
	TOTAL LIABILITIES	83,101,428,267	85,518,191,582	91,745,452,265	97,096,257,192
4.17	Due To Bank And Financial Institutions	6,097,289,793	7,728,510,422	8,607,956,363	3,688,903,954
4.18	Due To Nepal Rastra Bank	2,534,762,103	425,691,346	598,057,171	567,577,082
4.19	Derivative Financial Instruments	-	3,177,258	-	549,851
4.20	Deposits From Customers	72,439,176,690	75,593,362,997	77,836,512,947	88,516,228,464
4.21	Borrowing	-	-	-	-
	Current Tax Liabilities	132,896,838	-	175,200,890	-
4.22	Provisions	5,306,626	-	-	5,307,266
4.23	Deferred Tax Liabilities	-	-	-	3,026,799
4.24	Other Liabilities	1,392,716,049	1,268,031,499	1,551,228,436	1,340,504,308
4.25	Debt Securities Issued	499,280,168	499,418,060	2,976,496,459	2,974,159,468
4.26	Subordinated Liabilities	-	-	-	-
	EQUITY	11,827,847,738	12,168,874,945	12,568,954,131	13,368,225,716
4.26	Share Capital	8,622,196,716	8,622,196,716	8,622,196,716	9,089,817,290
	Share Premium	-	-	-	4,124,402
	Retained Earnings	252,788,874	663,483,168	453,389,721	877,471,929
4.27	Reserves	2,952,862,148	2,883,195,061	3,493,367,694	3,396,812,095
	TOTAL LIABILITIES AND EQUITY	94,929,276,005	97,687,066,527	104,314,406,396	110,464,482,908

	STATEMENT OF PROFIT AND LOSS ACCOUNT	FOR THE PERIOD ENDING MID OCT, 2019	FOR THE PERIOD ENDING MID JAN, 2020	FOR THE PERIOD ENDING MID APRIL, 2020	FOR THE PERIOD ENDING MID JULY, 2020
4.29	Interest Income	2,353,414,551	4,679,960,093	7,142,431,252	9,486,239,607
4.30	Interest Expense	(1,645,089,436)	(3,241,960,096)	(4,897,618,069)	(6,604,549,887)
	Net Interest Income (3.1-3.2)	708,325,115	1,437,999,996	2,244,813,183	2,881,689,719
4.31	Fee and Commission Income	155,913,320	313,417,748	448,180,163	582,238,214
4.32	Fee and Commission Expense	(10,217,957)	(24,979,573)	(41,298,362)	(65,876,657)
	Net Fee And Commission Income	145,695,363	288,438,175	406,881,801	516,361,557
	Net Interest, Fee and Commission Income	854,020,478	1,726,438,171	2,651,694,984	3,398,051,277
4.33	Net Trading Income	59,867,897	110,349,805	226,856,117	270,838,052
4.34	Other Operating Income	23,038,431	26,392,628	48,018,198	99,668,481
	Total Operating Income	936,926,806	1,863,180,605	2,926,569,299	3,768,557,809
4.35	Impairment (Charge)/Reversal for Loans and Other Losses	(33,853,881)	(66,052,286)	(104,755,785)	(677,297,286)
	Net Operating Income	903,072,925	1,797,128,318	2,821,813,514	3,091,260,523
	Operating Expense				
4.36	Personnel Expenses	(248,621,387)	(513,088,133)	(787,356,709)	(928,372,356)
4.37	Other Operating Expenses	(114,760,239)	(229,152,767)	(361,960,680)	(496,378,372)
4.38	Depreciation & Amortisation	(50,477,319)	(98,907,993)	(149,348,927)	(211,768,608)
	Operating Profit	489,213,980	955,979,425	1,523,147,198	1,454,741,188
4.39	Non Operating Income	9,599,428	26,450,644	47,736,686	122,572,592
4.40	Non Operating Expense	-	-	-	-
	Profit Before Income Tax	498,813,408	982,430,069	1,570,883,884	1,577,313,780
4.41	Income Tax Expense				
	Current Tax	(149,644,022)	(294,729,021)	(510,133,914)	(462,854,948)
	Deferred Tax	-	-	30,495,264	1,581,499
	Profit for the period	349,169,386	687,701,048	1,091,245,234	1,116,040,331

The growth rate in deposit in second, third and fourth quarter has been recorded to be 4.35 percent, 2.98 percent and 13.72 percent respectively. Total deposit for the year has been recorded to be NPR 88,516.23 Million, which is higher than that of previous year by 25.54 percent i.e. by NPR 18,007.14 Million. Along with the deposit, there has been improvement in loans and advances. The same has increased by 2.42 percent, 8.11 percent and 5.57 percent respectively in the second, third, and fourth quarters of the year. Total loans and advances for the year have been recorded to be NPR 80,703.92 Million, which is higher than that of previous year by 25.14 percent i.e. by NPR 16,212.78 Million. The investment has been increased by 12.14 percent and 10.97 percent in third and fourth quarter respectively.

It is further observed that there is impressive growth in the net interest income in second quarter with growth rate of 103.01 percent and considerable growth of 56.11 percent, 28.37 percent in third and fourth quarter respectively. Total net interest income for the year has been recorded to be NPR 2,881.69 Million, which is higher than that of previous year by 2.32 percent i.e. by NPR 65.24 Million.

Along with the interest earnings, there have been improvements in the commission and discount incomes and foreign exchange gains that have led the Bank to higher profit than that of previous year.

Quarterly, net profit after tax has increased by 96.95 percent, 58.68 percent and 2.27 percent respectively in each of second, third, and fourth quarter. The absolute changes in net profit after tax are NPR 341.53 Million, NPR 299.25 Million and NPR 418.82 Million in the second, third, and fourth quarter respectively. Audited year end profit after tax has been recorded to be NPR 1,198.50 Million.

The growth rate in interest income in second, third and fourth quarter has been recorded to be 98.86 percent, 52.62 percent and 32.82 percent respectively. The operating income has been increased by 98.86 percent, 57.07 percent and 28.77 percent in the second, third and fourth quarter respectively.

DISCLOSURES OF INFORMATION AS PER SECTION 5(3) OF RIGHT TO INFORMATION ACT, 2007 AND RULE 3 OF RIGHT TO INFORMATION RULES, 2009

1) NATURE AND FORMATION OF THE ENTITY:

Citizens Bank International Limited is “A” class National Level Commercial Bank established in accordance with Companies Act, 2006 operated under Bank and Financial Institutions Act, 2017.

2) FUNCTIONS, DUTIES AND POWERS OF THE ENTITY:

The functions, power and duties of the Bank is as specified by Bank and Financial Institutions Act, 2017, directives published by Nepal Rastra Bank and other related acts.

3) NUMBER OF EMPLOYEES AND PERFORMANCE DETAIL OF EMPLOYEES OF THE ENTITY:

The total number of employees of the Bank is 1137 staffs, including 1091 permanent staffs and 46 staffs on a contract basis and performance detail of employees are as specified by the Bank's Management. Name of the management team along with their job responsibility can be observed in website, <https://www.ctznbank.com/about-us/executive-teams>.

4) SERVICE PROVIDED BY THE ENTITY:

The Bank has been providing all the banking services that can be provided by “A” class Commercial Banks, in accordance with Bank and Financial Institutions Act, 2017 and directives published by Nepal Rastra Bank.

5) BRANCH AND AUTHORIZED PERSON OF THE ENTITY PROVIDING SERVICES:

The details of branch offering service along with the authorized personnel are available at the Bank's website <https://www.ctznbank.com/branches>.

6) TIME AND AMOUNT REQUIRED TO OBTAIN SERVICE:

The detail of various service provided by the Bank and fees regarding such service are available at the website <https://www.ctznbank.com/interest-rate/fees-and-commission>.

7) PROCEDURE OF TAKING DECISION AND PERSON AUTHORIZED TO DO SO:

Required authority has been delegated to different level of officers of the Bank. For other day to day operation, the final decision makers are Chief Executive Officer and Board of Directors.

8) OFFICER TO HANDLE COMPLAINTS OF THE DECISION MADE:

There is the arrangement of Grievance Handling Officer to handle the complaints and grievances. All the detail regarding the proceedings can be observed through the Bank's website <https://www.ctznbank.com/grievance-handling>.

9) DETAIL OF THE WORK COMPLETED:

The Bank has been carrying out all the banking transactions that “A” class Commercial Banks can operate in accordance with Bank and Financial Institutions Act, 2017. Any new activity performed by the Bank is informed to the public through press release. Such detail is available at the Bank's website <https://www.ctznbank.com/notice>.

10) NAME AND DESIGNATION OF INFORMATION OFFICER AND CHIEF EXECUTIVE OFFICER:

The detail of Chief Information Officer of the Bank is provided below:

Name	:	Mr. Bodh Raj Devkota
Designation	:	Deputy Chief Executive Officer

The detail regarding Chief Executive Officer of the Bank is provided below:

Name	:	Mr. Ganesh Raj Pokharel
Designation	:	Chief Executive Officer

11) LIST OF ACT, RULES, REGULATIONS AND DIRECTIVES:

The Bank is conducting its day to day operation under the Rule, Regulations and Directives mentioned below:

- Bank and Financial Institutions Act, 2017, Companies Act, 2006, and other related Acts, Directives and Regulations
- Nepal Rastra Bank Act, 2002 and Unified Directives, Circulars and Information released accordingly
- Memorandum of Association (MOA) and Articles of Association (AOA) of the Bank
- Employees Bye laws
- Financial Bye Laws
- Loan write-off policy, etc.

12) PERIODIC DETAILS OF INCOME, EXPENSES AND OTHER FINANCIAL TRANSACTIONS:

The periodic information of the Bank regarding income, expenses and other financial transactions are published quarterly in national daily newspaper. Similarly, all such periodic details are published in website of the Bank under Reports & Disclosure section.

13) DETAIL REGARDING THE PROGRAM OR PROJECT OPERATED BY THE ENTITY IN PREVIOUS FISCAL YEAR IF ANY:

In current FY 2019/20, except banking transactions and annual general meeting, following programs has been conducted by the Bank on the occasion of annual function of the Bank:

- Financial Assistance to different organizations/individuals
- 7th Citizens Lawn Tennis Tournament

14) WEBSITE OF THE ENTITY IF ANY:

The website of the Bank is www.ctznbank.com

15) DETAILS OF FOREIGN ASSISTANCE, LOANS, GRANT AND TECHNICAL ASSISTANCE AND AGREEMENT ENTERED BY THE ENTITY:

No

16) PROGRAM OPERATED BY THE ENTITY AND PROGRESS REPORT REGARDING SAME:

Progress detail of programs conducted by the Bank can be observed in the Bank's website <https://www.ctznbank.com>

17) LIST OF NOTICE CLASSIFIED AND PROTECTED BY THE ENTITY AND TIME SPECIFIED FOR PROTECTION OF SUCH NOTICE:

No

18) APPLICATION RELATED TO DEMAND OF INFORMATION FROM THE ENTITY AND DETAILS OF INFORMATION PROVIDED OVER IT:

The Bank has provided information as demanded by regulatory authorities and except that, information demanded by the general public has also been provided by the Bank as per the rules.

19) DETAIL OF INFORMATION OF THE ENTITY PUBLISHED OR TO BE PUBLISHED:

Annual Report of the Bank are published in the form of book and published in the website too. Similarly, financial statements of the Bank are published quarterly on different national daily newspaper along with the website of the Bank.

VALUE ADDED STATEMENT

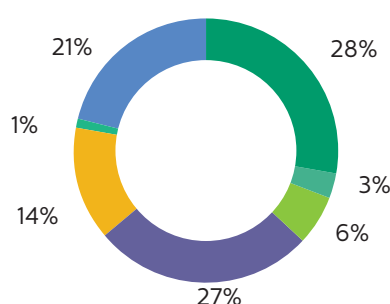
Value Added Statement depicts wealth created by the Bank and how is that wealth distributed among various stakeholders. The various stakeholders comprise of the employees, shareholders, government, creditors and the wealth that is retained in the business. In the year 2018 Mid July, 2019 Mid July and 2020 Mid July, the Bank's net value addition was NPR 2965 Million, NPR 3,713 Million and NPR 3,320 Million respectively.

VALUE ADDED STATEMENT

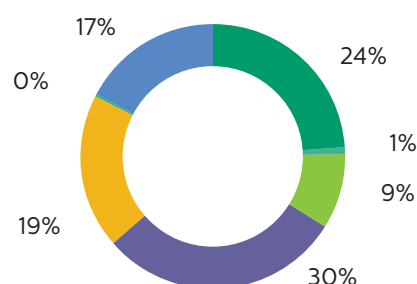
AMT IN NPR MILLION

PARTICULARS	JULY 15, 2020 (ASHADH 31, 2077)	JULY 16, 2019 (ASHADH 31, 2076)	JULY 16, 2018 (ASHADH 32, 2075)
Income from Banking Services	10,453	9,409	7,971
Less: Cost of Services and Supplies	6,663	5,912	4,955
Value Added by Banking Service	3,791	3,497	3,016
Non-Banking Income	170	78	38
Provision for Loans and Advances	(640)	138	(89)
TOTAL	3,320	3,713	2,965

DISTRIBUTION OF VALUE ADDITION	JULY 15, 2020 (ASHADH 31, 2077)		JULY 16, 2019 (ASHADH 31, 2076)		JULY 16, 2018 (ASHADH 32, 2075)	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
To Employees as Salaries and Bonus	935	28.17%	900	24.25%	784	26.45%
To Providers of Long Term Loans	112	3.36%	43	1.16%	43	1.45%
To Providers of Capital as Reserves	199	5.98%	318	8.56%	1,200	40.46%
To Providers of Capital as Dividend	888	26.75%	1,102	29.69%	(9)	-0.29%
To Government as Income Tax	470	14.16%	714	19.24%	473	15.95%
To Community	19	0.57%	7	0.19%	12	0.40%
To Expansion and Growth	697	21.00%	628	16.91%	462	15.58%
TOTAL	3,320	100.00%	3,713	100.00%	2,965	100.00%

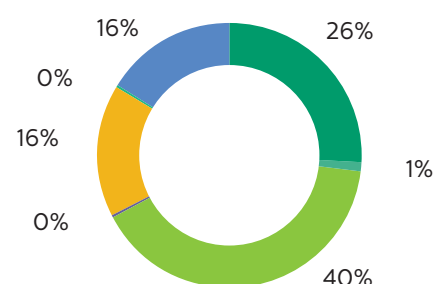


July 15, 2020 (Ashadh 31, 2077)



July 16, 2019 (Ashadh 31, 2076)

- To Employees as Salaries and Bonus
- To Providers of Long Term Loans
- To Providers of Capital as Reserves
- To Providers of Capital as Dividend
- To Government as Income Tax
- To Community
- To Expansion and Growth



July 16, 2018 (Ashadh 32, 2075)

ECONOMIC VALUE ADDED BY THE BANK

Economic Value added statement measures the Bank's financial performance based on the residual wealth calculated by deducting the cost of capital from its operating profit.

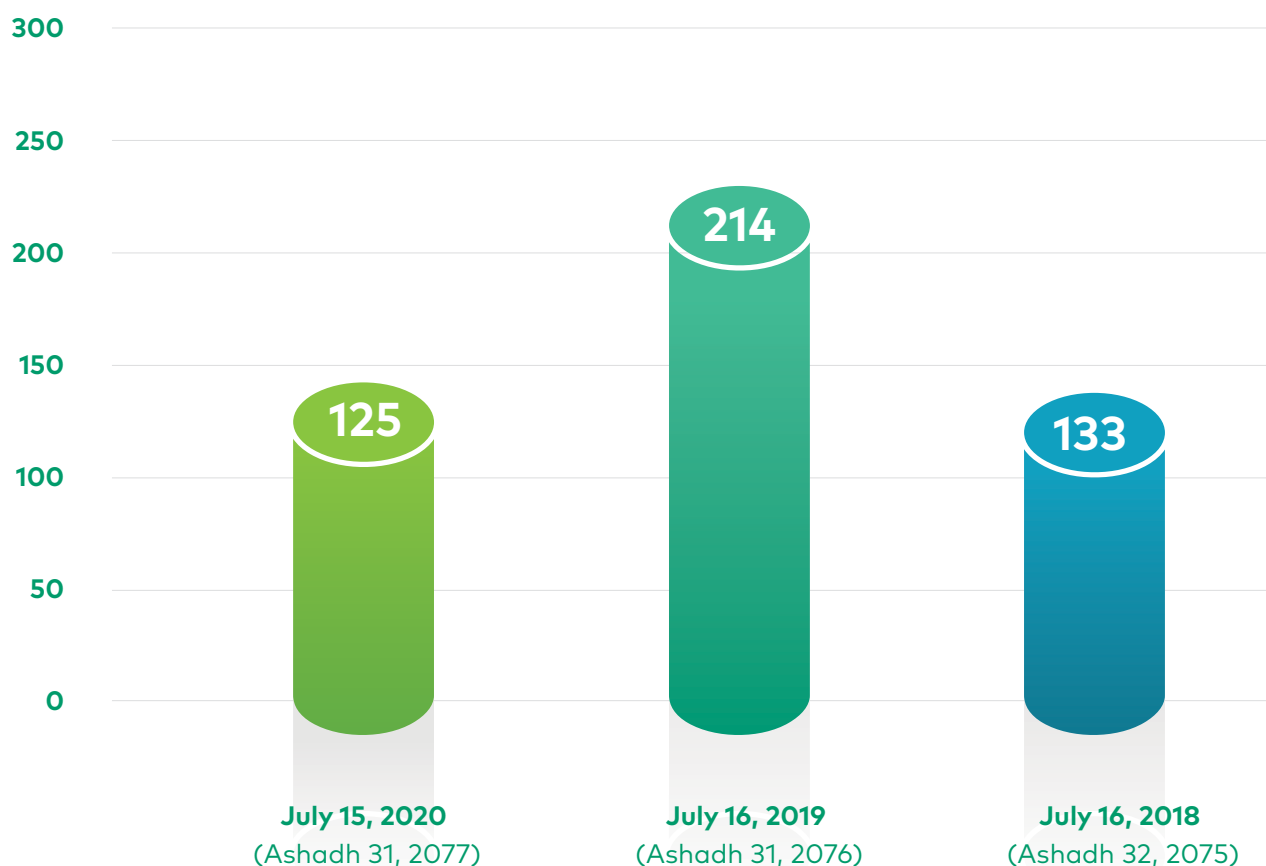
During the review year, the Bank has generated economic value of NPR 125.09 Million, which is lower than 41.48% as compared the previous year 2019 Mid July.

The Bank has assumed cost of capital (Economic Cost) of 8 percent, i.e. Bank rate 5 percent plus 3 percent risk premium for the year ended July 15, 2020.

Economic Value Added by the Bank

AMT IN NPR MILLION

PARTICULARS	JULY 15, 2020 (ASHADH 31, 2077)	JULY 16, 2019 (ASHADH 31, 2076)	JULY 16, 2018 (ASHADH 32, 2075)
A. Shareholder's Fund	13,417.72	12,494.63	11,013.91
B. Net Profit	1,198.50	1,463.22	1,234.10
Return on Shareholder's Fund	8.93%	11.71%	11.20%
C. Economic Cost (Bank Rate plus 3 percent risk premium)	8%	10%	10%
D. Economic Cost (A*C)	1,073.42	1,249.46	1,101.39
E. Economic value Added (B-D)	125.09	213.76	132.71



MARKET VALUE ADDED BY THE BANK

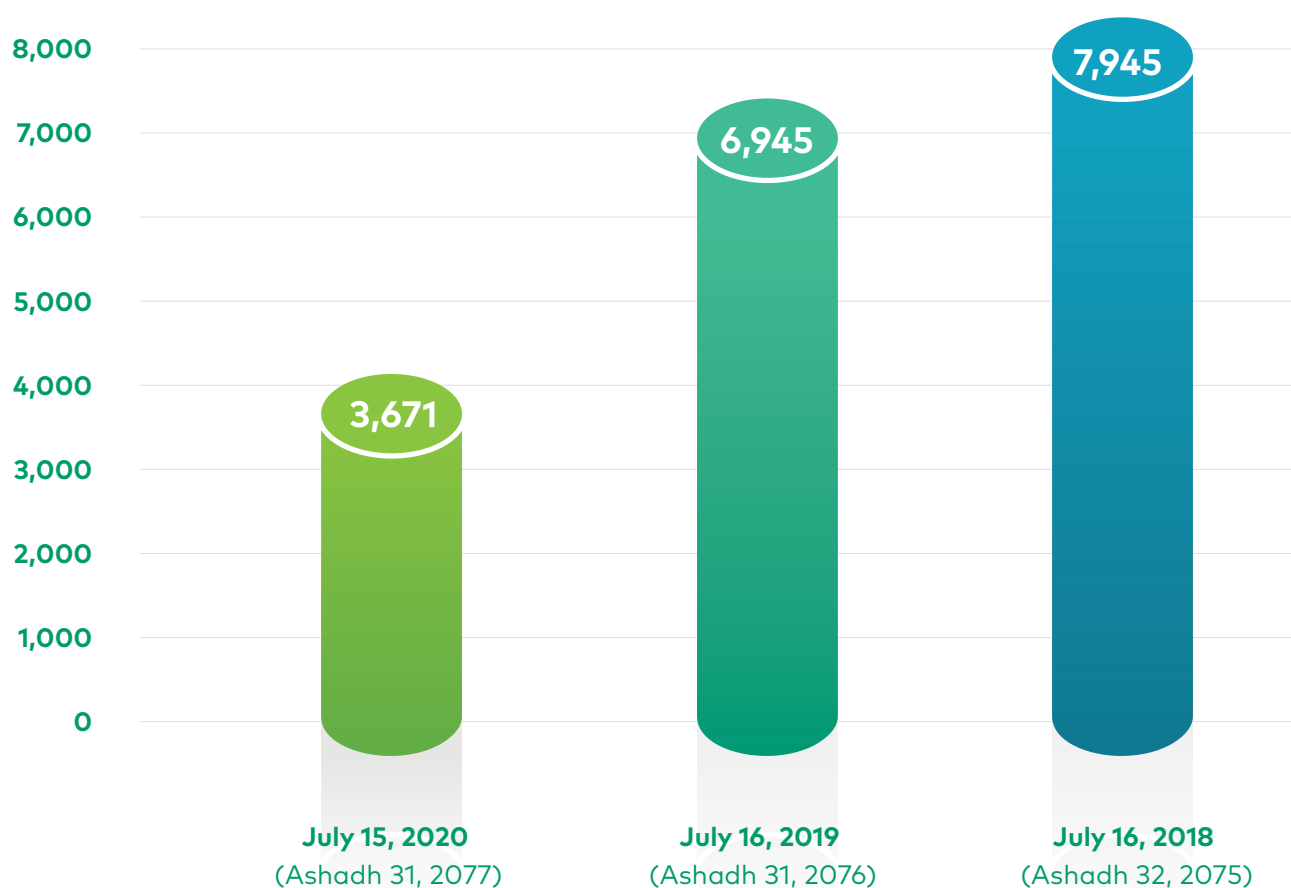
Market Value Added (MVA) measures the difference between the market value of the Bank and the capital contributed by shareholders.

During the review year, the Bank has lowered its market value addition by NPR 3,671.14 Million, which is a decline of 41.32 percent.

Market Value Added Statement

AMT IN NPR MILLION

PARTICULARS	JULY 15, 2020 (ASHADH 31, 2077)	JULY 16, 2019 (ASHADH 31, 2076)	JULY 16, 2018 (ASHADH 32, 2075)
A. No. of shares	90,898,173	83,710,648	80,332,364
B. Market Price per Share	188	224	236
C.Total Market Capitalization (A*B)	17,088.86	18,751.19	18,958.44
D. Shareholder's Fund	13,417.72	12,494.63	11,013.91
E. Market Value Added (C-D)	3,671.14	6,256.56	7,944.53



Market Value Added



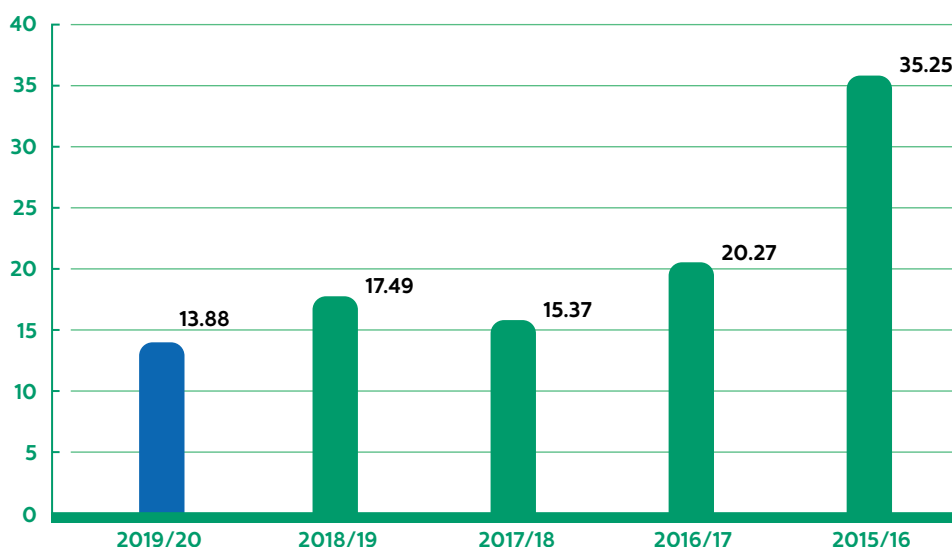
06

BANK'S PERFORMANCE IN KEY PERFORMANCE INDICATORS

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THE BANK'S PERFORMANCE IN NUMBERS

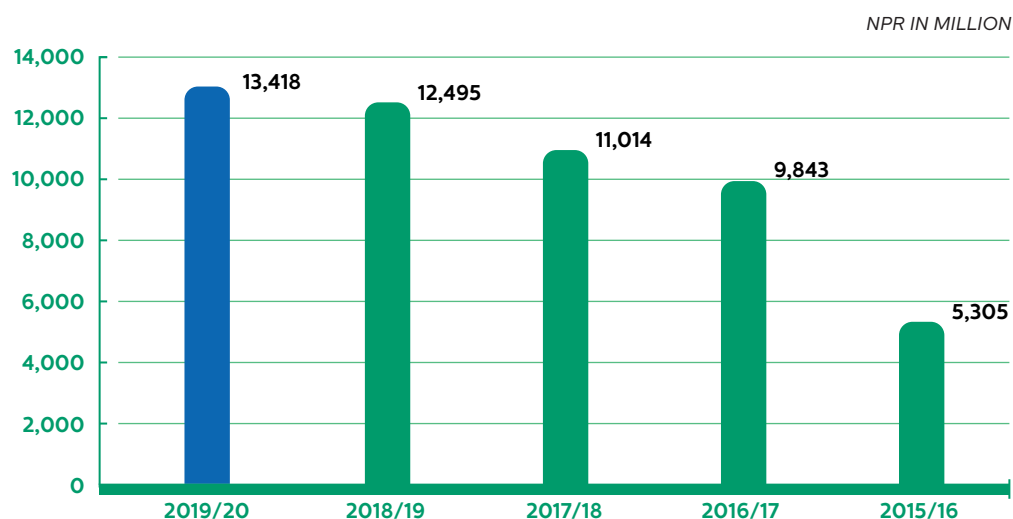
EARNINGS PER SHARE



Earnings Per Share represents total earnings of a company that belong to common shareholders, divided by the numbers of common shares outstanding.

Decrease of net profit has resulted in the decrement of EPS. EPS has decreased by 20.64 % in FY 2019/20 compared to FY 2018/19 with average declination of 11.92 % over the last 5 years.

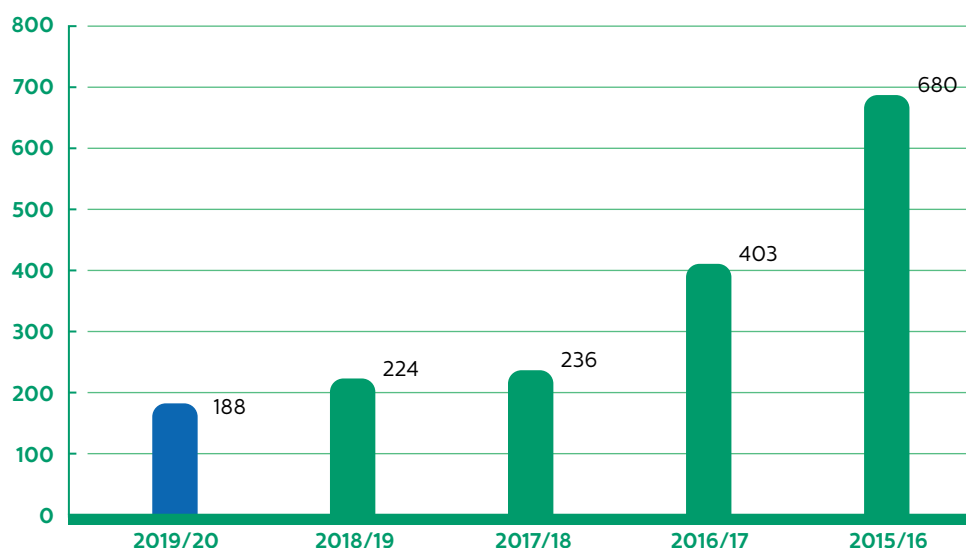
NET ASSETS



Net Assets represents the value of company's total assets minus total liabilities.

In FY 2019/20 Net Assets grew by 7.38% and reached NPR 13,418 Million compared to FY 2018/19 maintaining the average growth of 32.35 % over the last 5 years. This growth of net assets shows that the company has been able to increase their assets and earnings over a period of time.

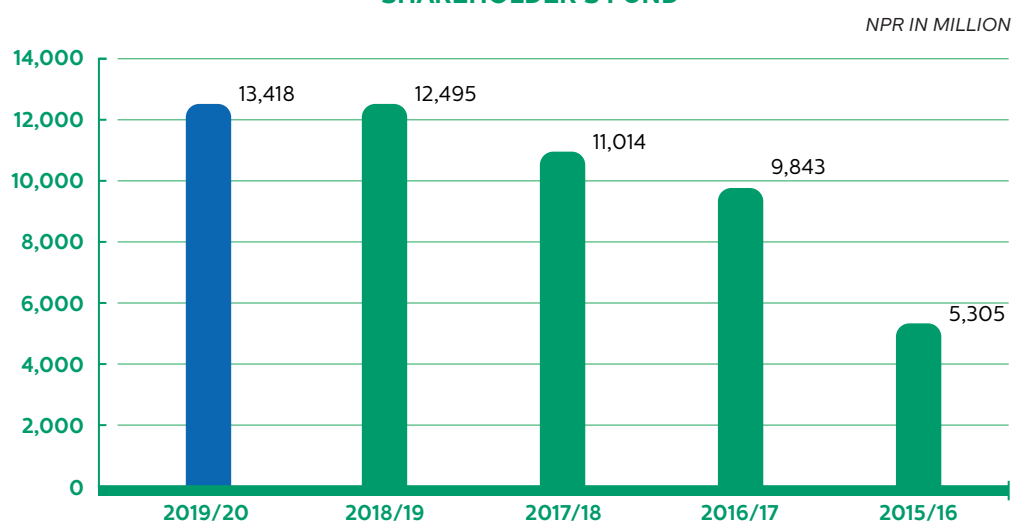
STOCK PERFORMANCE



Stock Performance represents the price at which the stock can be readily bought or sold in the current market place.

In FY 2019/20 the market price of share has declined by 16.07% reaching NPR 188 as compared to FY 2018/19. An adverse decline in NEPSE index and extraordinary market conditions caused stock price to decrease from NPR 680 as of FY 2015/16 to NPR 188 during the year with the average declination of 12.85 % over the last 5 years.

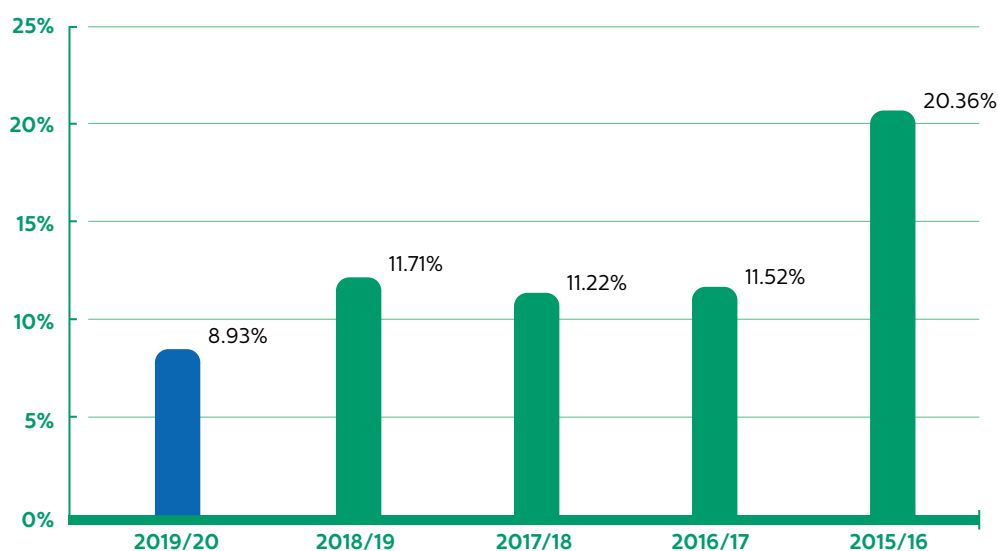
SHAREHOLDER'S FUND



Shareholder's Fund represents the total assets (what the bank owns) minus the total liabilities (what the bank owes). It is the amount of equity in the company which belongs to the shareholders.

Shareholder's fund has been growing in each year which indicates the sound financial health of the company and injection of capital. Shareholder's fund in FY 2019/20 has increased by 7.38% and reached NPR 13,418 Million in compared to FY 2018/19 keeping the average growth by 32.35 % over the last 5 years. Capital has been injected in the form of bonus shares and right shares.

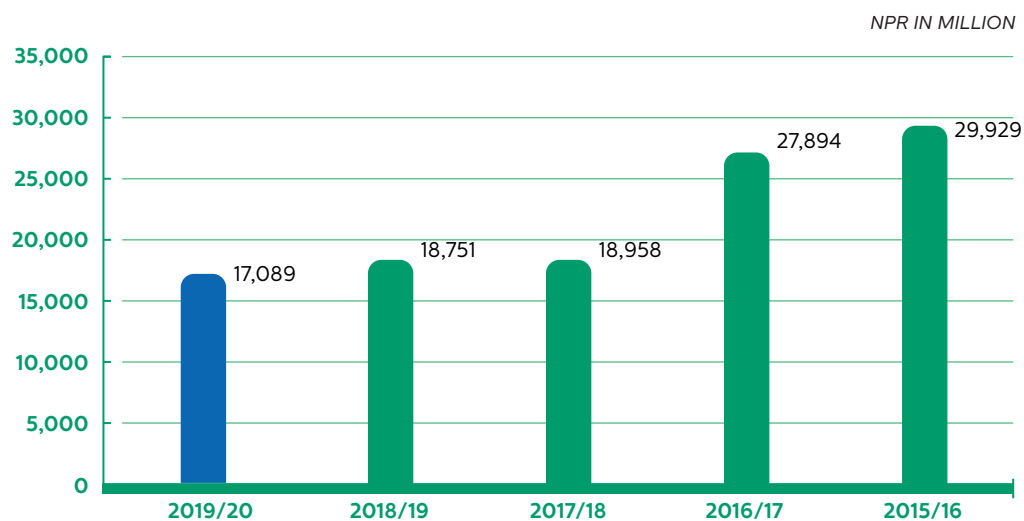
RETURN ON SHAREHOLDER'S FUND



Return on Shareholder's Fund represents the ratio of overall profitability of Bank which indicates the amount returned to the shareholders or owners as a percentage of money they have invested in the company.

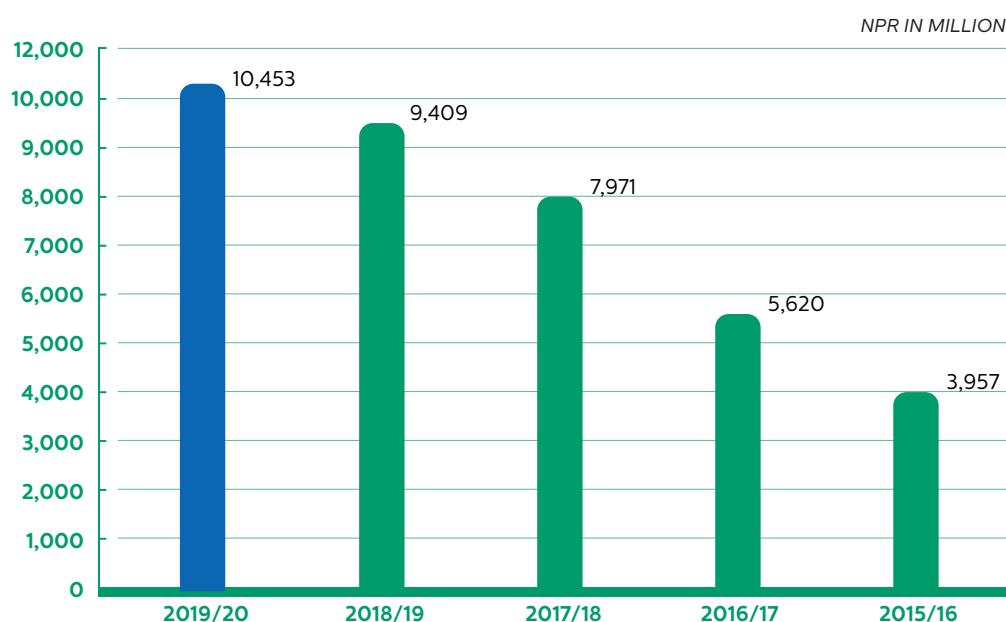
The return on shareholder has decreased by 23.74% in compared to FY 2018/19 with the return of 11.71% with the average decline of 11.94% over the last 5 years.

MARKET CAPITALIZATION



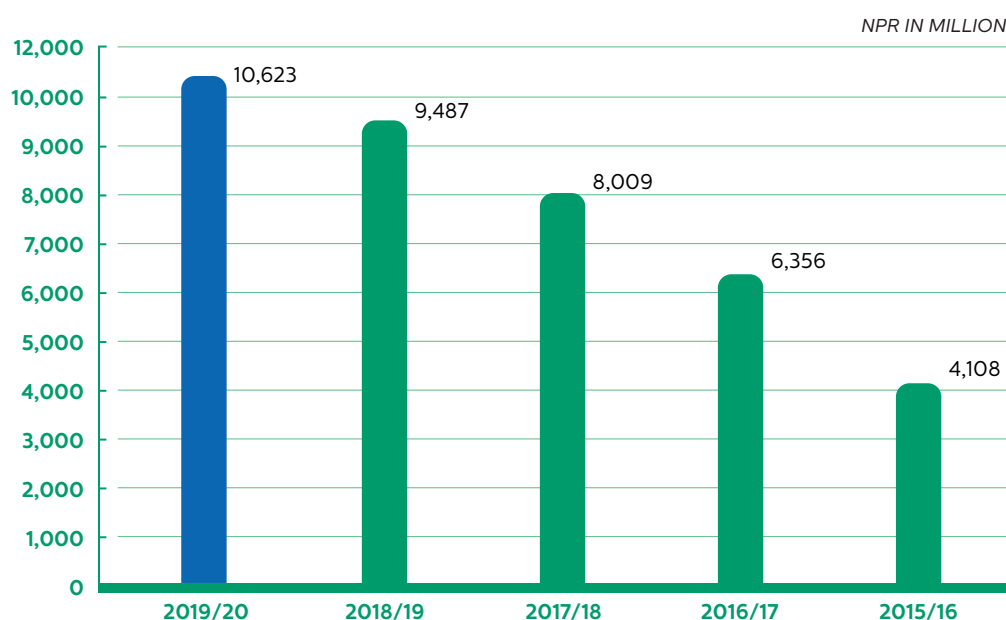
Market Capitalization represents the total market value of all the outstanding shares of the bank.

Market capitalization is on a declining trend over the last few years due to poor market condition causing extraordinary downward movement of NEPSE Index. Market capitalization of the bank was NPR 17,089 Million in FY 2019/20 decreased by 8.86 % in compared to FY 2018/19 but with the average growth of 10.18 % over the last 5 years.

TOTAL REVENUE (INCLUDING OPERATING REVENUE ONLY)

Total Operating Revenue represents the revenue generated from a company's primary business activities. In FY 2019/20, the Bank's total operating revenue increased by 11.10% reaching NPR 10,453 Million in compared to FY 2018/19. Total operating revenue has been continuously growing with the average growth of 28.05% over the last 5 years.

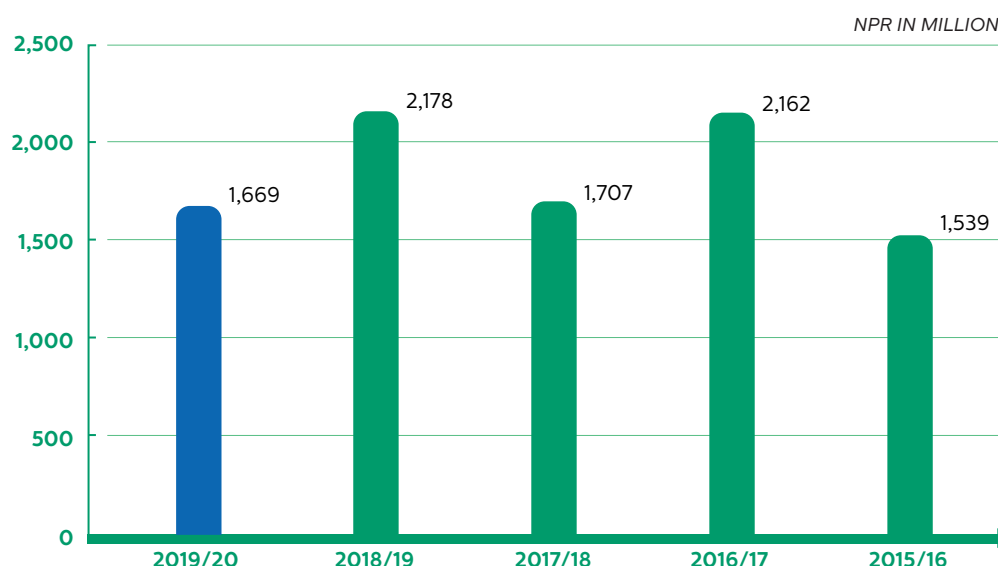
The revenue has shown a tremendously increased by 164.17% in the time of 5 years from NPR 3,957 Million in FY 2015/16 to NPR 10,453 Million in FY 2019/20. The addition of new and innovative customer services and the bank's satisfactory performance in overall department is expected to increase the revenue in the coming future.

TOTAL REVENUE (INCLUDING OPERATING AND NON-OPERATING REVENUE)

Total Revenue including operating and non-operating revenue represents all the income of the bank. In FY 2019/20 the bank total revenue increased to NPR 10,623 Million with the growth of 11.97% in compared to FY 2018/19 and the average growth of 27.88% over the last 5 years.

The bank has seen a tremendous growth of 158.59% in the time of 5 years from NPR 4,108 Million in FY 2015/16 to NPR 10,623 Million in FY 2019/20 which indicates better operating performance of the bank.

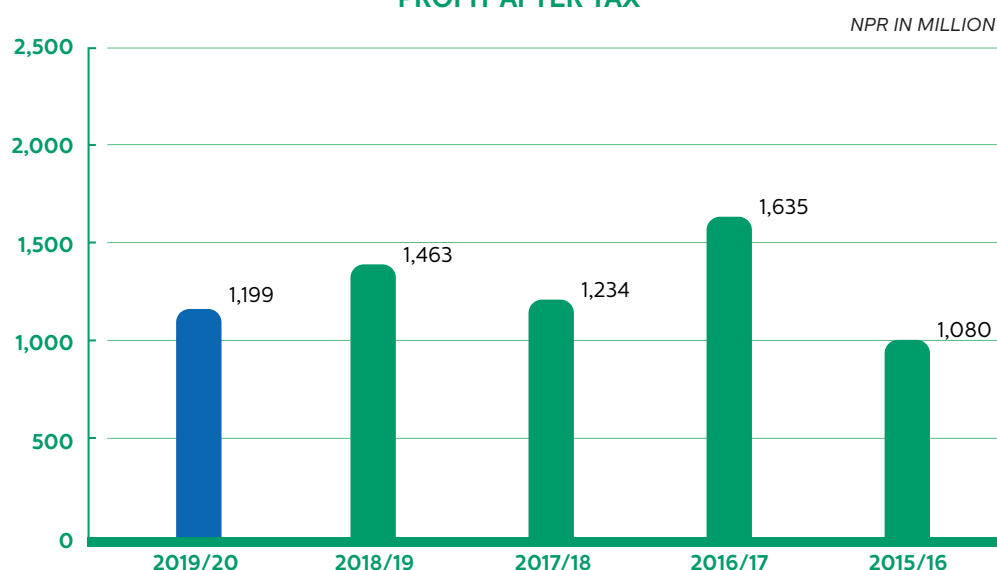
PROFIT BEFORE TAX



Profit before Tax represents a profitability measure that looks at a company's profit before the company has to pay corporate income tax. The chart above shows that the profit before tax in FY 2019/20 has been decreased by 23.38% and reached NPR 1,669 Million in compared to FY 2018/19. However the bank shows average growth of 14.88% over the last 5 years which reflects the sound operating performance of the bank.

There has been a growth of 8.43% in profit before tax in the time of 5 years from NPR 1,539 Million in FY 2015/16 to NPR 1,669 Million in FY 2019/20.

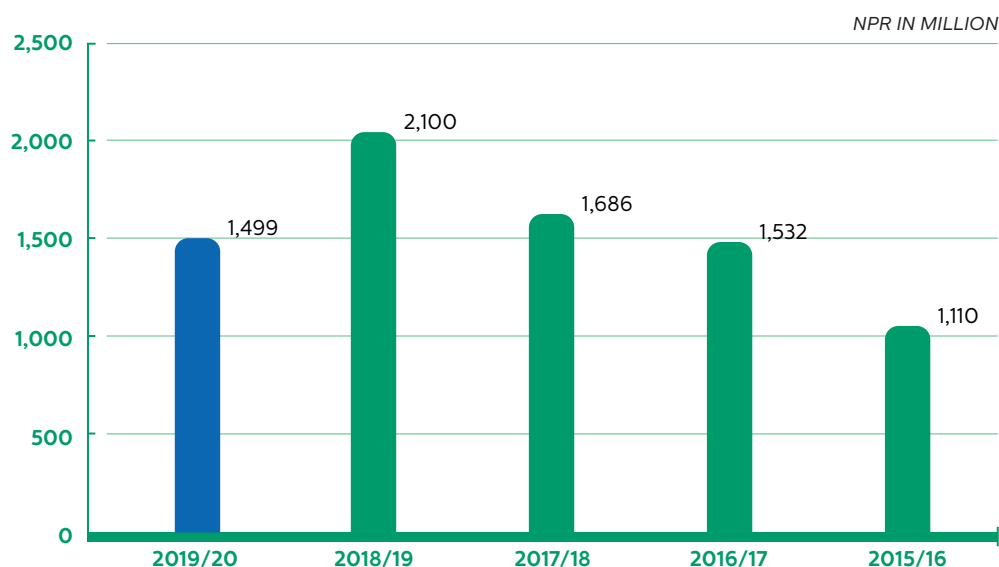
PROFIT AFTER TAX



Profit after Tax represents the net amount earned by the bank after deducting all the expenses including tax related expenses from the total revenue. The profit after tax in FY 2019/20 is NPR 1,199 Million which has been decreased by 18.08 % in compared to FY 2019/20 with the average growth of 15.47 % over the last 5 years reflecting the efficient performance of the bank.

There is the growth of 10.97% in profit after tax in the time of 5 years from NPR 1,080 Million in FY 2015/16 to NPR 1,199 Million in FY 2019/20.

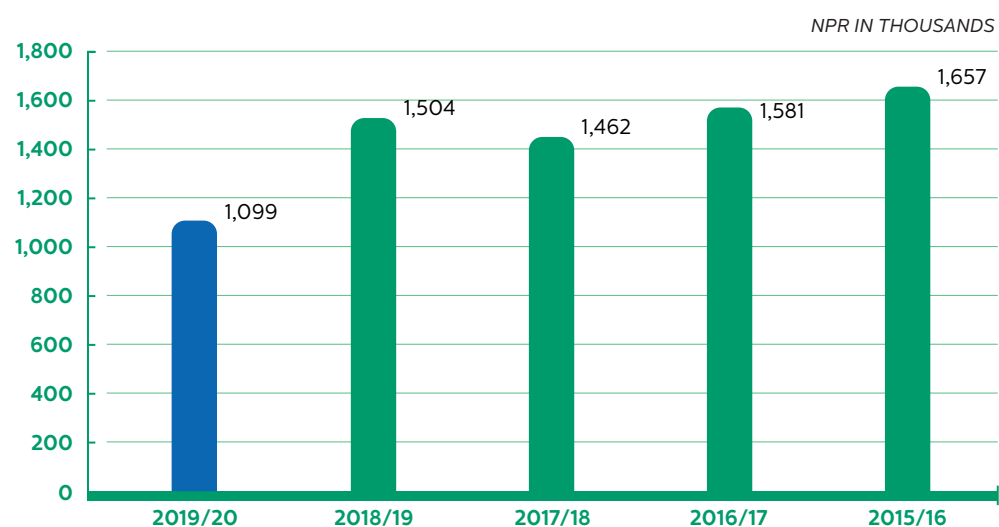
OPERATING PROFIT



Operating Profit represents the profit earned from the bank's normal core operations and doesn't include any profit earned from the bank's investment. The bank has an operating profit of NPR 1,499 Million in FY 2019/20 which has been decreased by 28.62% in comparison to operating profit of NPR 2,100 in FY 2018/19. The bank has the average growth of 16.83% in operating profit over the period of last 5 years.

Operating profit has shown a growth of 35.05% in the time of 5 years from NPR 1,110 Million in FY 2015/16 to NPR 1,499 Million in FY 2019/20.

NET PROFIT PER STAFF



Net Profit per Staff represents the ratio that measures average net profit earned by the staff of the bank. The net profit per staff of the bank in FY 2019/20 is NPR 1,098,538 which has been decreased by 26.96% in compared to FY 2018/19. Over the last 5 years, the Bank has shown the average declination of 2.76% in net profit per staff.

HORIZONTAL AND VERTICAL ANALYSIS

• HORIZONTAL ANALYSIS

STATEMENT OF FINANCIAL POSITION

PARTICULARS	MID JULY (AMT IN NPR MILLION)					
	2020		2019		2018	
ASSETS						
Cash And Cash Equivalent	10,842	214.85%	6,741	133.58%	5,046	100%
Due From Nepal Rastra Bank	2,430	65.85%	2,597	70.37%	3,690	100%
Placement With Bank And Financial Institutions	303	15.21%	395	19.84%	1,990	100%
Derivative Financial Instruments	1	2.83%	44	121.21%	36	100%
Other Trading Assets	91	118.87%	567	744.07%	76	100%
Loans And Advances To B/FIs	1,534	107.99%	1,582	111.35%	1,421	100%
Loans And Advances To Customers	78,976	142.04%	62,912	113.15%	55,602	100%
Investment Securities	11,828	210.59%	10,823	192.68%	5,617	100%
Current Tax Assets	142	124.28%	15	12.76%	115	100%
Investment In Susidiaries	167	142.67%	167	142.67%	117	100%
Investment In Associates	19	105.57%	18	100.00%	18	100%
Investment Property	196	68.00%	223	77.40%	288	100%
Property And Equipment	2,554	120.38%	2,303	108.54%	2,122	100%
Goodwill And Intangible Assets	75	106.79%	93	132.35%	71	100%
Deferred Tax Assets	-	100.00%	20	100.00%	-	100%
Other Assets	1,392	92.66%	1,622	107.99%	1,502	100%
Total Assets	110,551	142.26%	90,121	115.97%	77,710	100%
LIABILITIES						
Due To Bank And Financial Institutions	3,689	110.60%	3,927	117.73%	3,335	100%
Due To Nepal Rastra Bank	568	81.66%	1,213	174.46%	695	100%
Derivative Financial Instruments	-	100.00%	-	100.00%	-	100%
Deposits From Customers	88,496	145.80%	70,509	116.17%	60,696	100%
Borrowing	-	100.00%	-	100.00%	-	100%
Current Tax Liabilities	-	100.00%	-	100.00%	-	100%
Provisions	5	100.00%	5	100.00%	5	100%
Deferred Tax Liabilities	14	77.01%	-	0.00%	18	100%
Other Liabilities	1,387	95.79%	1,474	101.79%	1,448	100%
Debt Securities Issued	2,974	596.40%	499	100.08%	499	100%
Subordinated Liabilities	-	100.00%	-	100.00%	-	100%
Total Liabilities	97,133	145.64%	77,627	116.39%	66,696	100%
EQUITY						
Share Capital	9,090	113.15%	8,371	104.21%	8,033	100%
Share Premium	4	951.36%	47	10798.92%	0	100%
Retained Earnings	931	704.20%	1,251	946.29%	132	100%
Reserves	3,393	119.12%	2,825	99.21%	2,848	100%
Total Equity Attributable To Equity Holders	13,418	121.83%	12,495	113.44%	11,014	100%
Non-Controlling Interest	-	-	-	-	-	
Total Equity	13,418	121.83%	12,495	113.44%	11,014	100%
Total Liabilities And Equity	110,551	142.26%	90,121	115.97%	77,710	100%

Horizontal Analysis on statement of financial positions refers to the analysis of growth of each component of statement of financial position items from the base period. Here base period is considered the mid July 2018 giving a value of 100% and after that period value above 100% means positive growth and below 100% means negative growth compared to base year. Here, assets, liabilities and shareholders' equity are showing consistent growth over the last three years except for investment in associates and investment property.

STATEMENT OF PROFIT OR LOSS

PARTICULARS	MID JULY (AMT IN NPR MILLION)					
	2020		2019		2018	
Interest Income	9,490	133.48%	8,532	120.01%	7,109	100%
Interest Expense	(6,605)	135.14%	(5,844)	119.57%	(4,887)	100%
Net Interest Income	2,885	129.82%	2,688	120.99%	2,222	100%
Fee And Commission Income	582	103.99%	569	101.55%	560	100%
Fee And Commission Expense	(58)	113.56%	(67)	132.57%	(51)	100%
Net Fee And Commission Income	524	103.03%	501	98.45%	509	100%
Net Interest, Fee And Commission Income	3,409	124.83%	3,190	116.79%	2,731	100%
Net Trading Income	281	155.37%	277	153.15%	181	100%
Other Operating Income	100	82.94%	30	25.24%	121	100%
Total Operating Income	3,791	124.99%	3,497	115.32%	3,033	100%
Impairment (Charge)/Reversal For Loans And Other Losses	(640)	716.70%	138	-154.92%	(89)	100%
Net Operating Income	3,151	107.03%	3,636	123.52%	2,944	100%
Operating Expense						
Personnel Expenses	(935)	119.28%	(900)	114.82%	(784)	100%
Other Operating Expenses	(505)	145.26%	(465)	133.77%	(347)	100%
Depreciation & Amortisation	(212)	167.30%	(171)	134.76%	(127)	100%
Operating Profit	1,499	88.93%	2,100	124.61%	1,686	100%
Non Operating Income	170	447.14%	78	204.94%	38	100%
Non Operating Expense	-	0.00%	(1)	3.44%	(17)	100%
Profit Before Income Tax	1,669	97.77%	2,178	127.58%	1,707	100%
Income Tax Expense						
Current Tax	(469)	87.53%	(776)	144.75%	(536)	100%
Deferred Tax	(1)	-1.23%	62	97.43%	64	100%
Profit(Loss) For The Period	1,199	97.12%	1,463	118.57%	1,234	100%

Horizontal Analysis on statement of profit or loss refers to the analysis of growth of each component of statement profit or loss items from the base period. Here base period is considered the mid July 2018 giving value 100% and after that period value above 100% means positive growth and below 100% means negative growth compared to base year. The above table shows that total operating income of the Bank is growing consistently where as loan loss provisions has increased significantly due to prevailing pandemic COVID-19 which has resulted decrease in Net profit as compared to the previous year.

• VERTICAL ANALYSIS

STATEMENT OF FINANCIAL POSITION

PARTICULARS	MID JULY (AMT IN NPR MILLION)					
	2020		2019		2018	
ASSETS						
Cash And Cash Equivalent	10,842	9.81%	6,741	7.48%	5,046	6.49%
Due From Nepal Rastra Bank	2,430	2.20%	2,597	2.88%	3,690	4.75%
Placement With Bank And Financial Institutions	303	0.27%	395	0.44%	1,990	2.56%
Derivative Financial Instruments	1	0.00%	44	0.05%	36	0.05%
Other Trading Assets	91	0.08%	567	0.63%	76	0.10%
Loans And Advances To B/FIs	1,534	1.39%	1,582	1.76%	1,421	1.83%
Loans And Advances To Customers	78,976	71.44%	62,912	69.81%	55,602	71.55%
Investment Securities	11,828	10.70%	10,823	12.01%	5,617	7.23%
Current Tax Assets	142	0.13%	15	0.02%	115	0.15%
Investment In Subsidiaries	167	0.15%	167	0.19%	117	0.15%
Investment In Associates	19	0.02%	18	0.02%	18	0.02%
Investment Property	196	0.18%	223	0.25%	288	0.37%
Property And Equipment	2,554	2.31%	2,303	2.56%	2,122	2.73%
Goodwill And Intangible Assets	75	0.07%	93	0.10%	71	0.09%
Deferred Tax Assets	-	0.00%	20	0.02%	-	0.00%
Other Assets	1,392	1.26%	1,622	1.80%	1,502	1.93%

Total Assets	110,551	100.00%	90,121	100.00%	77,710	100.00%
LIABILITIES						
Due To Bank And Financial Institutions	3,689	3.34%	3,927	4.36%	3,335	4.29%
Due To Nepal Rastra Bank	568	0.51%	1,213	1.35%	695	0.89%
Derivative Financial Instruments	-	0.00%	-	0.00%	-	0.00%
Deposits From Customers	88,496	80.05%	70,509	78.24%	60,696	78.11%
Borrowing	-	0.00%	-	0.00%	-	0.00%
Current Tax Liabilities	-	0.00%	-	0.00%	-	0.00%
Provisions	5	0.00%	5	0.01%	5	0.01%
Deferred Tax Liabilities	14	0.01%	-	0.00%	18	0.02%
Other Liabilities	1,387	1.25%	1,474	1.64%	1,448	1.86%
Debt Securities Issued	2,974	2.69%	499	0.55%	499	0.64%
Subordinated Liabilities	-	0.00%	-	0.00%	-	0.00%
Total Liabilities	97,133	87.86%	77,627	86.14%	66,696	85.83%
EQUITY						
Share Capital	9,090	8.22%	8,371	9.29%	8,033	10.34%
Share Premium	4	0.00%	47	0.05%	0	0.00%
Retained Earnings	931	0.84%	1,251	1.39%	132	0.17%
Reserves	3,393	3.07%	2,825	3.14%	2,848	3.66%
Total Equity Attributable To Equity Holders	13,418	12.14%	12,495	13.86%	11,014	14.17%
Non-Controlling Interest	-	-	-	-	-	-
Total Equity	13,418	12.14%	12,495	13.86%	11,014	14.17%
Total Liabilities And Equity	110,551	100.00%	90,121	100.00%	77,710	100.00%

Vertical Analysis on statement of financial position refers to the components of balance sheet items as a percentage of total assets over the period. In assets side of mid July 2020, we can observe that the loans & advances to customer hold the major part. i.e. 71.44 % which has been increased as compared to last year by 1.63%. The investment in securities has been decreased gradually as compared to last year and hold the second highest portions i.e. 10.70% of total assets in mid July 2020. Similarly, the deposit in mid July 2020 holds the major portion i.e. 80.05% out of total equity and liabilities and it has been in increasing trend as compared to last year. Retained earnings in mid July 2020 has been decreased as compared to last year as a result of decreased net profit caused by prevailing pandemic COVID-19.

STATEMENT OF PROFIT OR LOSS

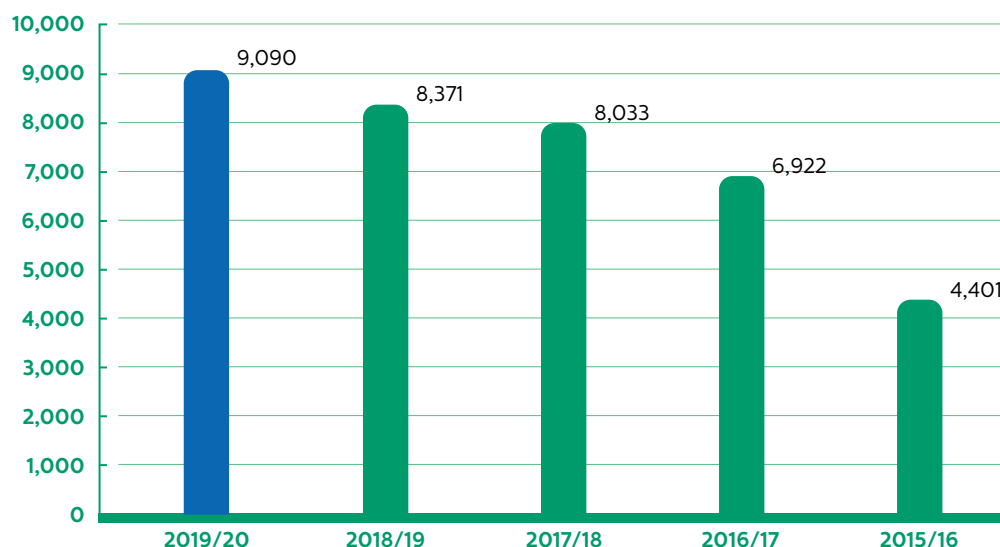
PARTICULARS	MID JULY (AMT IN NPR MILLION)					
	2020		2019		2018	
Interest Income	9,490	95.06%	8,532	88.65%	7,109	88.77%
Interest Expense	(6,605)	-66.16%	(5,844)	-60.72%	(4,887)	-61.02%
Net Interest Income	2,885	28.90%	2,688	27.93%	2,222	27.74%
Fee And Commission Income	582	5.83%	569	5.91%	560	6.99%
Fee And Commission Expense	(58)	-0.58%	(67)	-0.70%	(51)	-0.63%
Net Fee And Commission Income	524	5.25%	501	5.21%	509	6.36%
Net Interest, Fee And Commission Income	3,409	34.15%	3,190	33.14%	2,731	34.10%
Net Trading Income	281	2.82%	277	2.88%	181	2.26%
Other Operating Income	100	1.00%	30	0.32%	121	1.51%
Total Operating Income	3,791	37.97%	3,497	36.34%	3,033	37.87%
Impairment (Charge)/Reversal For Loans And Other Losses	(640)	-6.41%	138	1.44%	(89)	-1.12%
Net Operating Income	3,151	31.56%	3,636	37.78%	2,944	36.75%
Operating Expense						
Personnel Expenses	(935)	-9.37%	(900)	-9.35%	(784)	-9.79%
Other Operating Expenses	(505)	-5.05%	(465)	-4.83%	(347)	-4.34%
Depreciation & Amortisation	(212)	-2.12%	(171)	-1.77%	(127)	-1.58%
Operating Profit	1,499	15.02%	2,100	21.82%	1,686	21.05%
Non Operating Income	170	1.70%	78	0.81%	38	0.47%
Non Operating Expense	-	0.00%	(1)	-0.01%	(17)	-0.21%
Profit Before Income Tax	1,669	16.72%	2,178	22.63%	1,707	21.31%
Income Tax Expense						
Current Tax	(469)	-4.70%	(776)	-8.07%	(536)	-6.70%
Deferred Tax	(1)	-0.01%	62	0.64%	64	0.79%
Profit(Loss) For The Period	1,199	12.01%	1,463	15.20%	1,234	15.41%

Vertical Analysis on income statement refers to the components of income statements items as percentage of total income over the periods. From the above table we can analyze that the net interest income has been increased as compared to previous figures but the net operating income, operating profit and net profit has been decreased as compare to previous figures. This decrease is due to the increment of loan loss provisions significantly.

TREND ANALYSIS OF STATEMENT OF FINANCIAL POSITION / PROFITABILITY / DIVIDENDS / PERFORMANCE & LIQUIDITY RATIOS

PAID UP CAPITAL

NPR IN MILLION

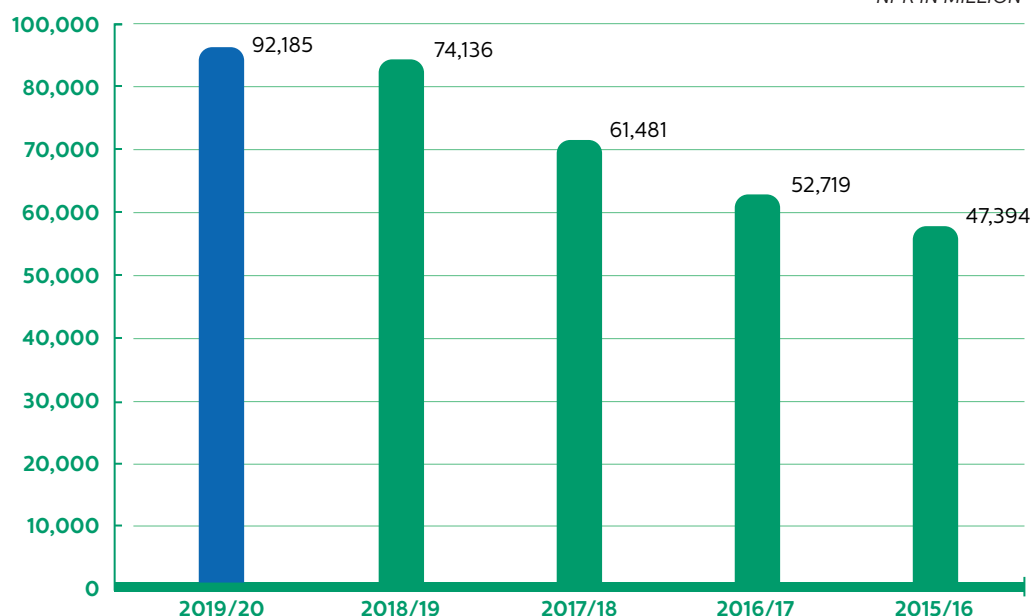


Paid-Up Capital represents the amount of money a company has received from shareholders in exchange for shares of stock. The paid up capital is in increasing trend over the past years. The bank has maintained paid up capital of NPR 9,090 Million in FY 2019/20 increased by 8.59% as compared to previous year. The Bank has achieved average growth of 25.94 % in the paid up capital over the last 5 years. Bonus share of NPR 204.31 Million has been issued and shares of NPR 467.62 have been transferred from acquired institute, Sahayogi Viaksh Bank during FY 2019/20.

The paid up capital of the Bank in FY 2015/16 was 4,401 Million increased by 106.54 % to NPR 9,090 Million in FY 2019/20 in time of 5 years.

DEPOSITS

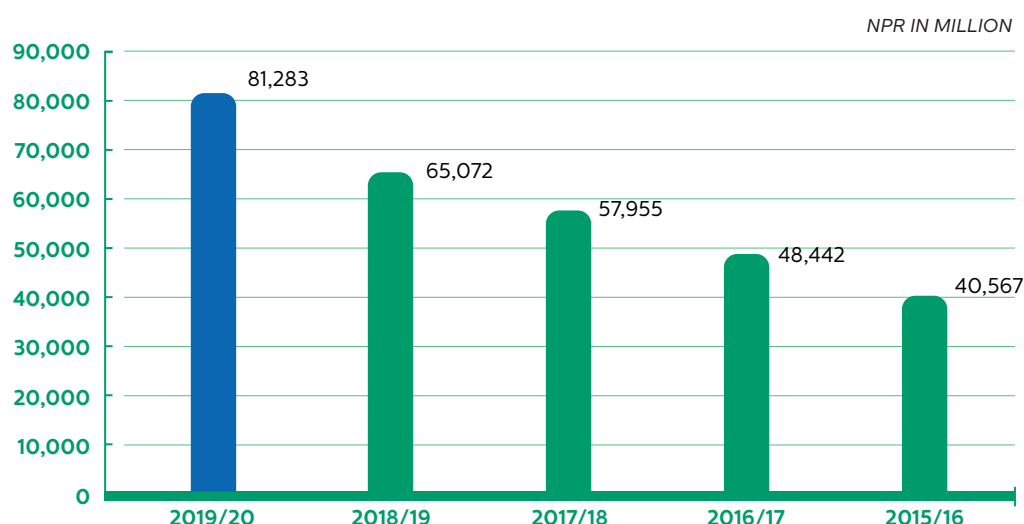
NPR IN MILLION



The deposit of the Bank is in incremental trend over the last 5 years and has reached NPR 92,185 Million in FY 2019/20 with the growth of 24.35% as compared to previous year. The Bank has been able to maintain annual growth rate of 21.05% over the last 5 years which shows the increasing customer satisfaction with the bank.

In time of 5 years the bank has achieved growth of 94.51% in deposits being NPR 47,394 Million in FY 2015/16 to NPR 92,185 Million in FY 2019/20.

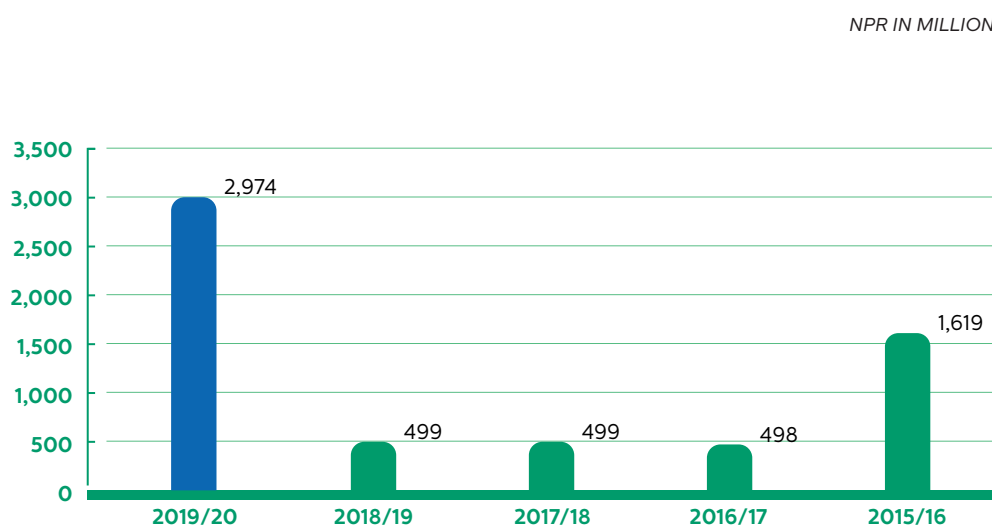
LOANS AND ADVANCES



The Bank has been able to expand its loans and advances portfolio to NPR 81,283 Million in FY 2019/20 from NPR 65,072 Million in FY 2018/19 with the increment of 24.91%. The trend of loans and advances has been increasing continuously with the average growth of 23.03% over the last 5 years.

In time of 5 years the bank has achieved growth of 100.37% in loans and advances being NPR 40,567 Million in FY 2015/16 to NPR 81,283 Million in FY 2019/20.

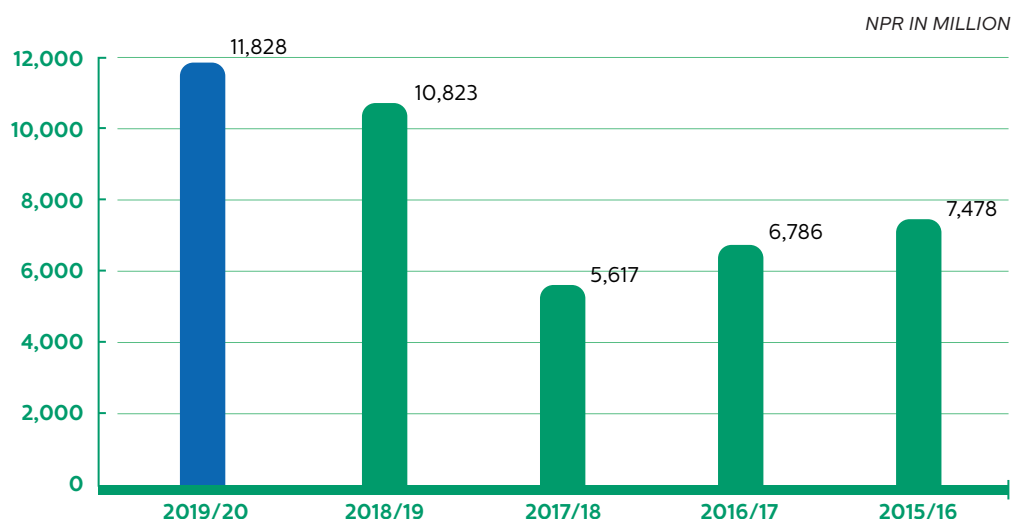
BORROWINGS AND DEBENTURES



Borrowings and debentures represents the amount of money borrowed by the bank at fixed or floating rate of interest with or without collateral. The balance of borrowings and debentures stand at NPR 2,974 Million in FY 2019/20 for the debentures issued in FY 2013/14 and FY 2019/20 of NPR 2,500 million and NPR 500 Million respectively. The debentures are measured at amortized cost using effective interest rate method. The bond is unsecured and hence qualifies for inclusion in Tier-II capital.

The borrowings and debentures have been increased by 83.71% from NPR 1,619 Million in FY 2015/16 to NPR 2,974 Million in FY 2019/20.

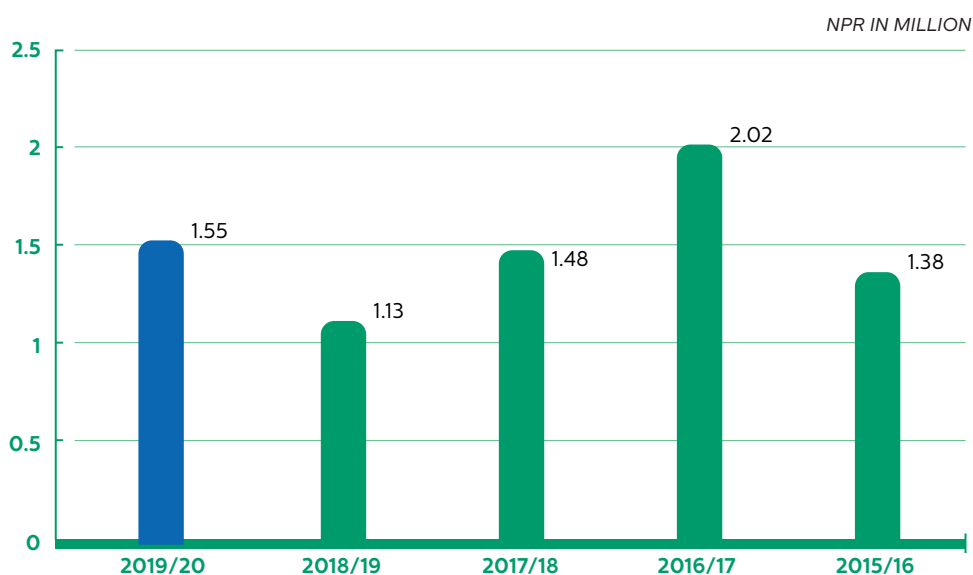
INVESTMENTS



Investment has been made mostly in government securities and other short term investments so as to maintain the level of investment well above the minimum SLR requirement and to use the excess fund productively to generate revenue to the Bank. Investment has been increased by 9.29 % in FY 2019/20 as compared to FY 2018/19. Investment has faced the average growth of 21.48% over the last 5 years.

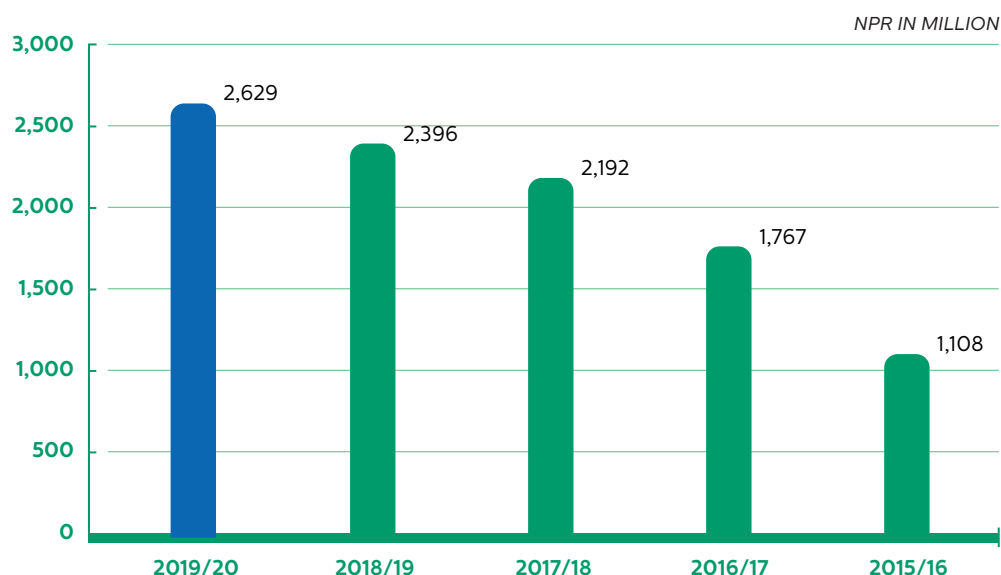
In time of 5 years the bank has achieved growth of 58.18% in investments being NPR 7,478 Million in FY 2015/16 to NPR 11,828 Million in FY 2019/20.

NON PERFORMING LOAN / TOTAL LOAN (AS PER NRB DIRECTIVE)



Non-performing loan represents the default of borrower of loan in the schedule payment of principal or interest for some time. There is a fluctuation in the trend of non-performing loan to total loan and it remains at 1.55 in FY 2019/20 from 1.13 in FY 2018/19. Non-performing loan to total has increase by 4.67 % in average during the period of last 5 years.

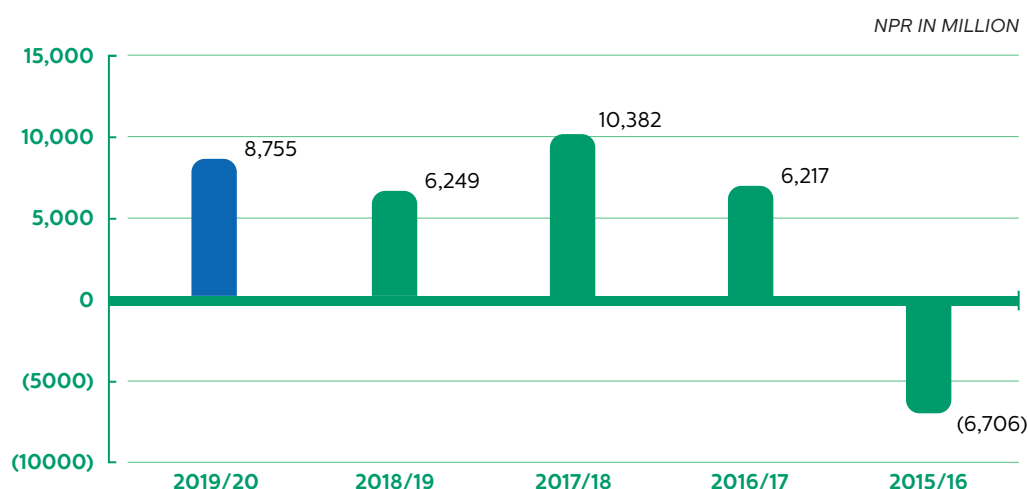
FIXED ASSETS



A fixed asset represents the assets of the bank that is vital to business operations and is expected to be used for more than one year. Fixed assets of the bank has been increased in FY 2019/20 by 9.74% in compared to FY 2018/19 and reached NPR 2,629 Million with the average growth of 24.95% over the last 5 years. During the last 5 years the bank has been able to increase total fixed assets including intangibles and goodwill.

The fixed assets have been increased by 137.31% in the time of 5 years from NPR 1,108 Million in FY 2015/16 to NPR 2,629 Million in FY 2019/20.

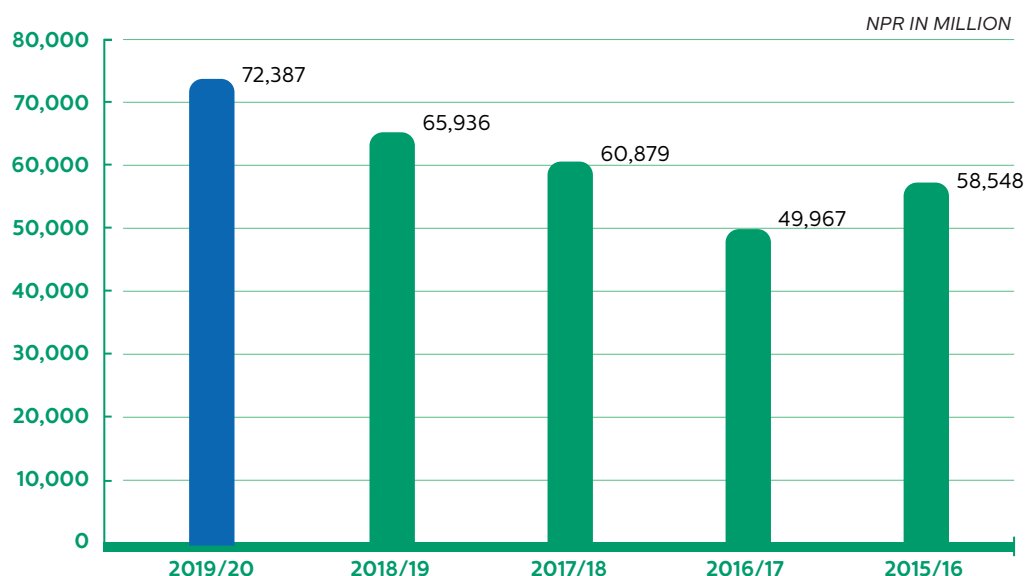
NET CURRENT ASSETS



Net current Assets represent the aggregate amount of all current assets minus the aggregate amount of all current liabilities. The current assets of the Bank have reached to NPR 8,755 Million in FY 2019/20 with the decrease of 40.10% compared to FY 2018/19. The Bank has been able to reverse the adverse net current assets during FY 2015/16 and FY 2014/15.

The net current assets has tremendously increased in time of 5 years with the change of 230.56% from NPR (6,709) Million in FY 2015/16 to NPR 8,755 Million in FY 2019/20 which indicates Bank has sufficient current assets to pay short term obligations.

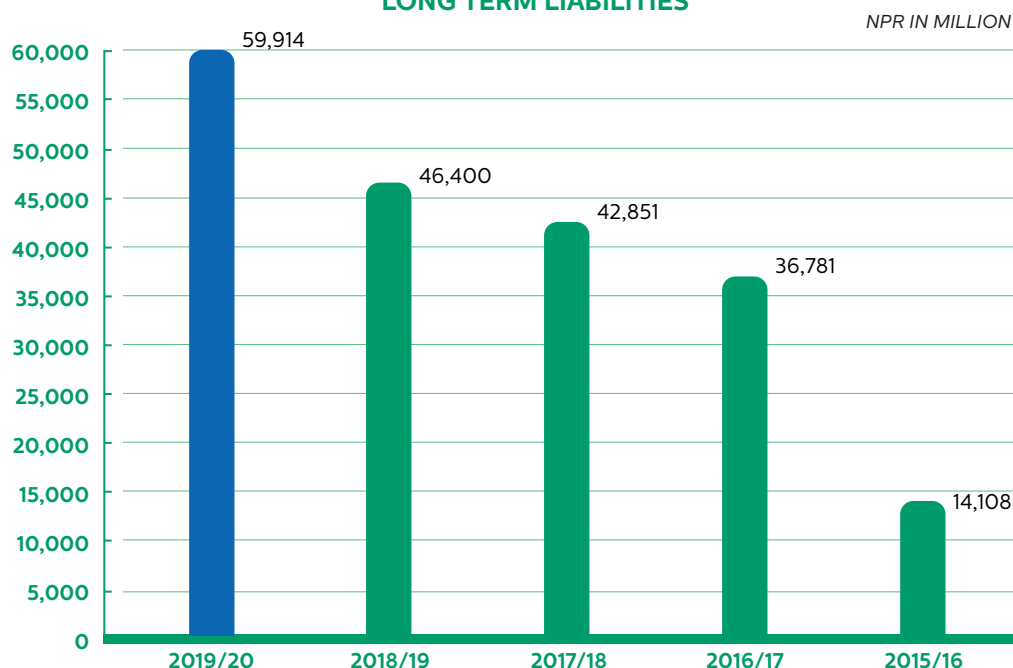
CURRENT LIABILITIES



Current Liabilities represents the short term financial obligations of the bank that are due within one year. The Bank has been able to reduce the growth in the debts and obligations that are due within one year with the growth of 9.78 % only in FY 2019/20 compared to FY 2018/19. With the average growth of 15.33% during last 5 years the Bank have maintained better net current position which indicates liquidity strength and good relationship with its creditors.

The current liabilities have increased by 23.64 % in time of 5 years from NPR 58,548 Million in FY 2015/16 to NPR 72,387 Million in FY 2019/20.

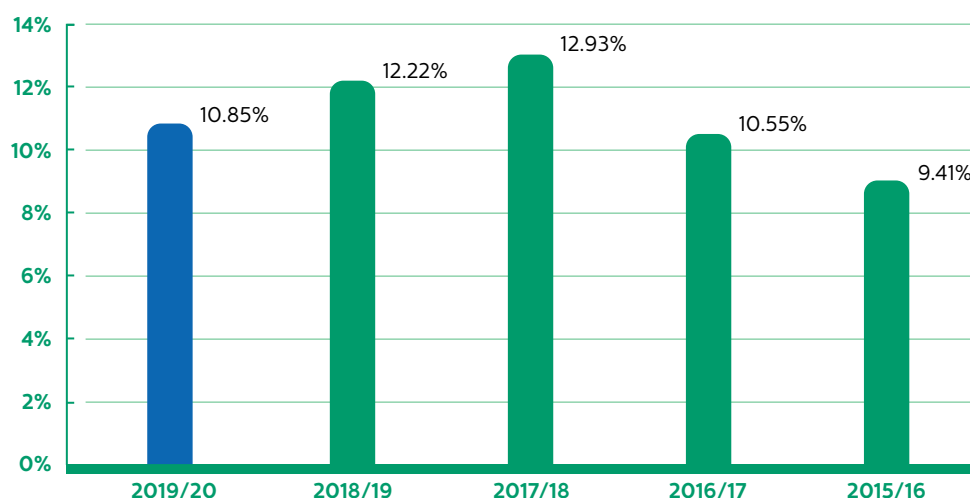
LONG TERM LIABILITIES



Long Term Liabilities represents the loans and financial obligations that is not due within one year. Long term liabilities increased by 29.13% reaching NPR 59,914 Million in FY 2019/20 compared to previous year due to the increment in deposits from other banks and financial institutions. Due to the increase in long term liabilities of the bank, the bank has been able to maintain its liquidity position within the acceptable limit. There is the average growth of 45.73% of long term liabilities over the last 5 years.

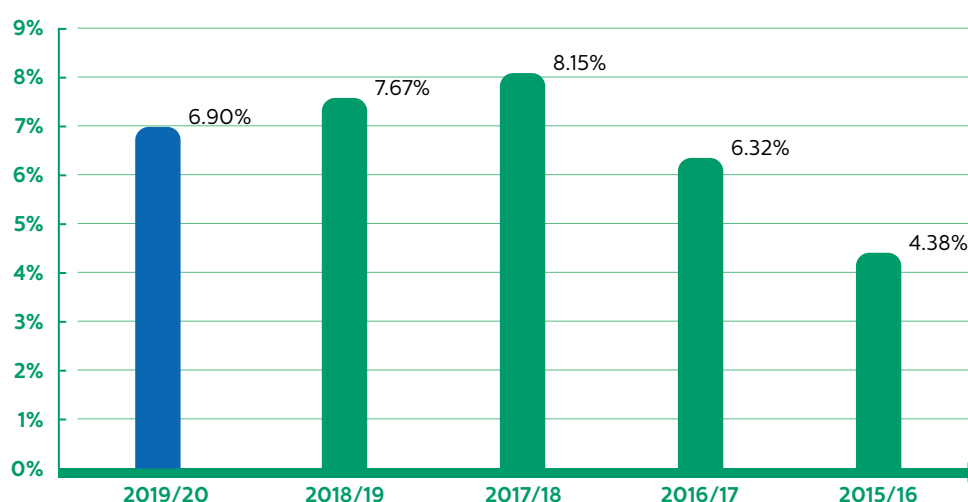
In time of 5 years the bank has seen a change of 324.68% in long term liabilities from NPR 14,108 Million in FY 2015/16 to NPR 59,914 Million in FY 2019/20.

INTEREST INCOME / LOANS AND ADVANCES



Interest income to loans and advances represents the average interest income earned by the bank on its year end loans and advances. From the above graph, interest income to loans and advances is seen fluctuating over the last 5 years. There is decline of interest income to loans and advances by 11.21% in FY 2019/20 in compared to previous year with the average growth of 2.06% over last 5 years.

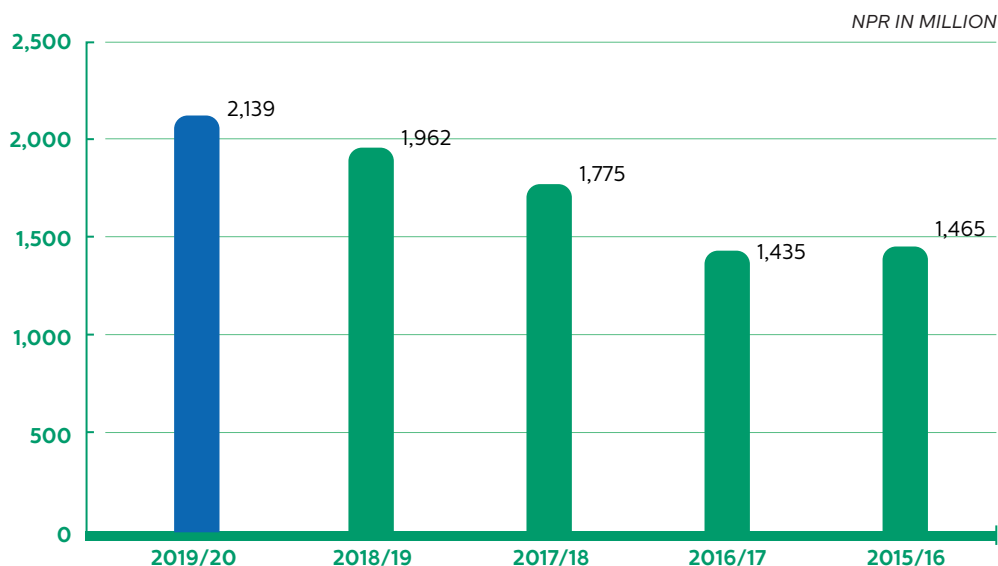
INTEREST EXPENSES / DEPOSITS AND BORROWINGS



Interest expenses to deposits and borrowings represents the average interest paid by the bank on its year end deposits and borrowings. The interest expenses to deposits and borrowings has been decreased by 10.04% in FY 2019/20 as compared to previous year. There has been a fluctuating trend over the period of last 5 years with the average change of 10.51%.

The Bank has faced a change of 57.53% in the time of 5 years being 4.38% in FY 2015/16 to 6.90% in FY 2019/20.

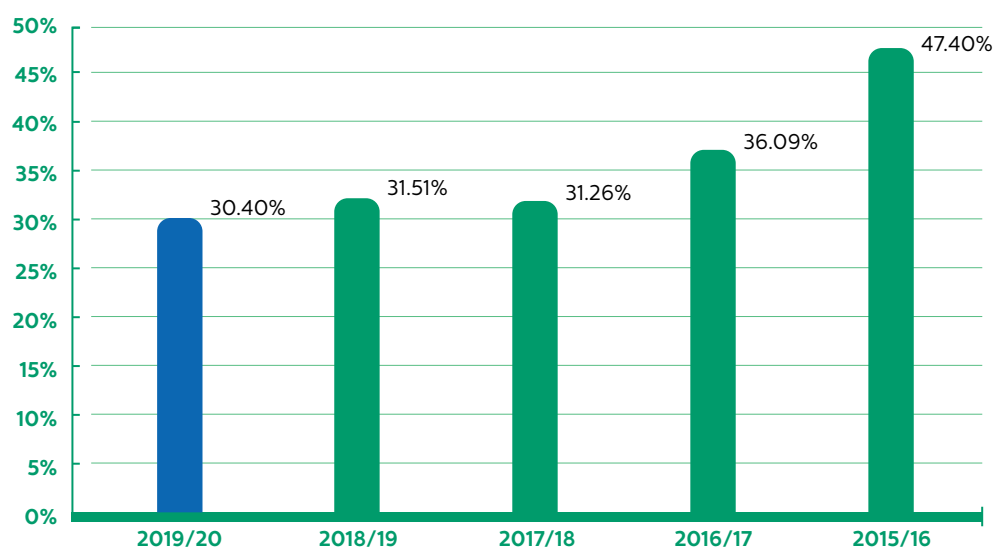
OPERATING PROFIT BEFORE LOAN LOSS PROVISION (LLP)



The operating profit before LLP has been maintained at NPR 2,139 Million in FY 2019/20 with the increment of 9.03 % as compared to previous year. The operating profit before LLP is in incremental trend and has the average growth of 16.74% over the last 5 years. Such increment of profit is due to increase in the net interest income of the Bank and other operating incomes.

In time of 5 years the Bank has achieved the growth of 46.02% in operating profit before LLP being NPR 1,465 Million in FY 2015/16 to NPR 2,139 Million in FY 2019/20.

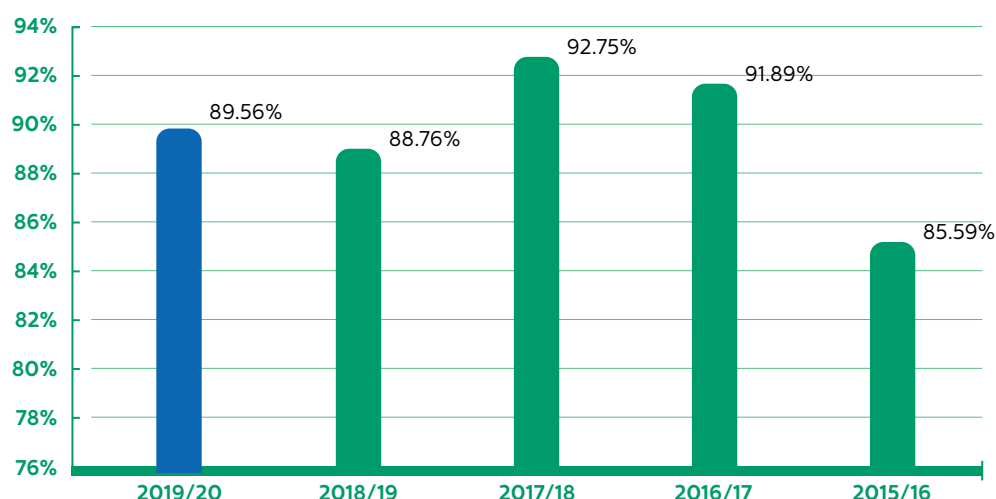
GROSS PROFIT RATIO



Gross Profit Ratio represents the proportion of profit generated by the sales of products or services, before selling and administrative expenses. There has been a decreasing trend of GP ratio for last 3 years which is mainly because of increase in rate of interest on deposits due to liquidity crisis and restriction imposed on institutional deposit ratio by Nepal Rastra Bank. The GP ratio has been decreased to 30.40% in FY 2019/20 with the average decline of 7.31% over the period of last 5 years.

GP ratio has declined by 35.86% in time of 5 years being 47.40% in FY 2015/16 to 30.40% in FY 2019/20.

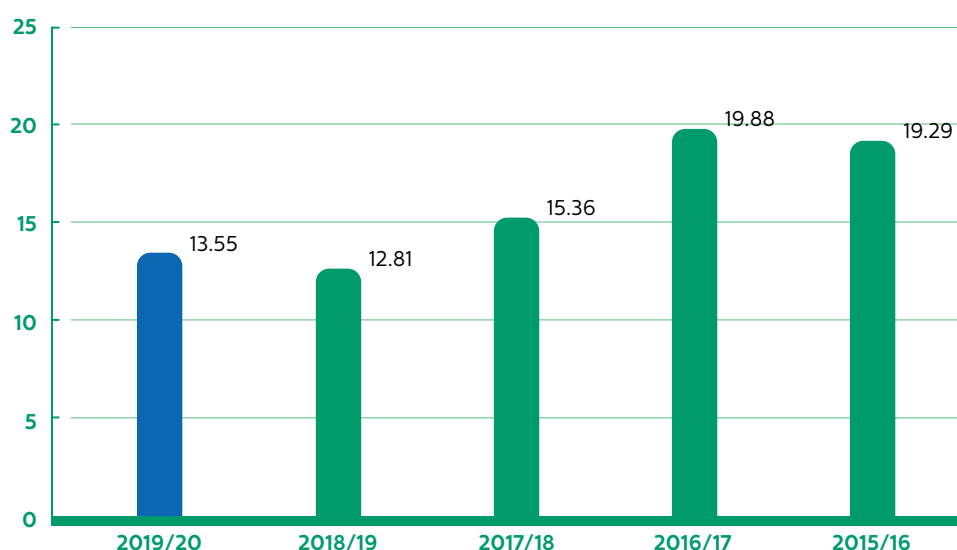
CREDIT TO DEPOSIT RATIO



Credit to Deposit Ratio represents the statistical method for assessing a bank's liquidity by dividing the bank's total loan by its total deposits. The ratio has been increased to 89.56% in the FY 2019/20 in comparison to previous year which was 88.76%. There is the average change of 1.96% in credit to deposit ratio over the period of last 5 years.

The credit to deposit ratio has been increased by 4.64% in a time of 5 years being 85.59 % in FY 2015/16 to 89.56 % in FY 2019/20 which indicates the bank's reliance on deposits for lending.

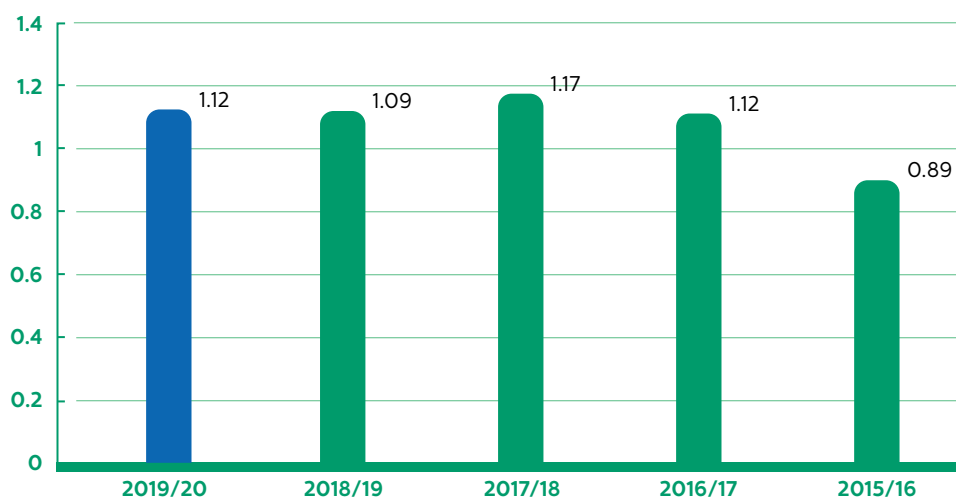
PRICE EARNINGS RATIO



Price Earnings Ratio represents the ratio that measures its current share price relative to its per-share price earnings. PE ratio over the period of last 5 years has been fluctuated and reached to 13.55 times increased by 5.78% in FY 2019/20 as compared to previous year with the average decline of 1.68 % over the last 5 years.

PE ratio has been declined by 29.76% in FY 2019/20 as compared to past 5 years FY 2015/16 which is due to decrease on market price of share of the bank.

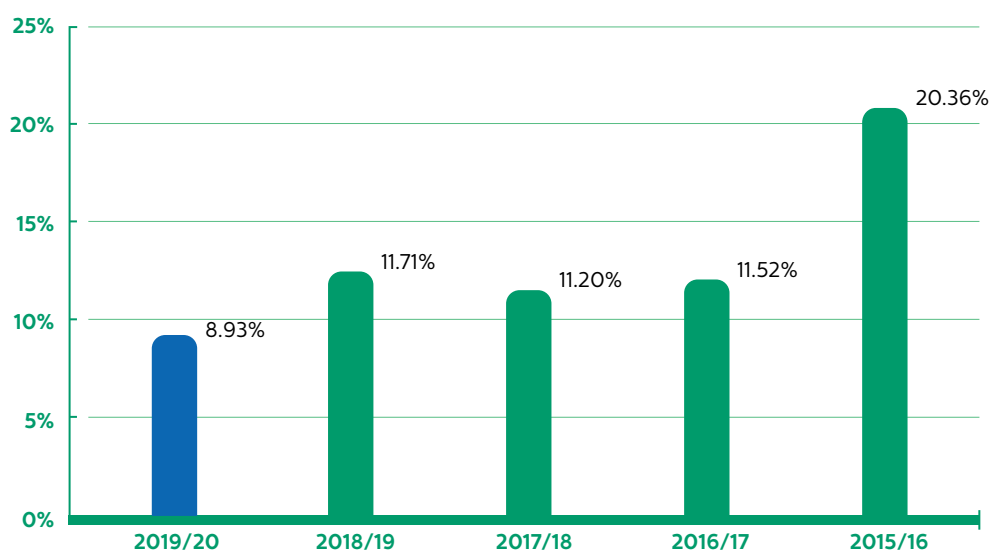
CURRENT RATIO



Current Ratio is a liquidity ratio that measures a company's ability to pay short term obligations or those due within one year. The Bank has maintained positive current ratio of 1.12 in FY 2019/20 increased by 2.75% as compared to previous year. The trend of current ratio is positive over the past 5 years with average growth of 4.59% which shows the Bank's better performance and comfortable position to meet its short term obligation.

The current ratio has been raised by 25.84% in time of 5 years from 0.89 in FY 2015/16 to 1.12 in FY 2019/20.

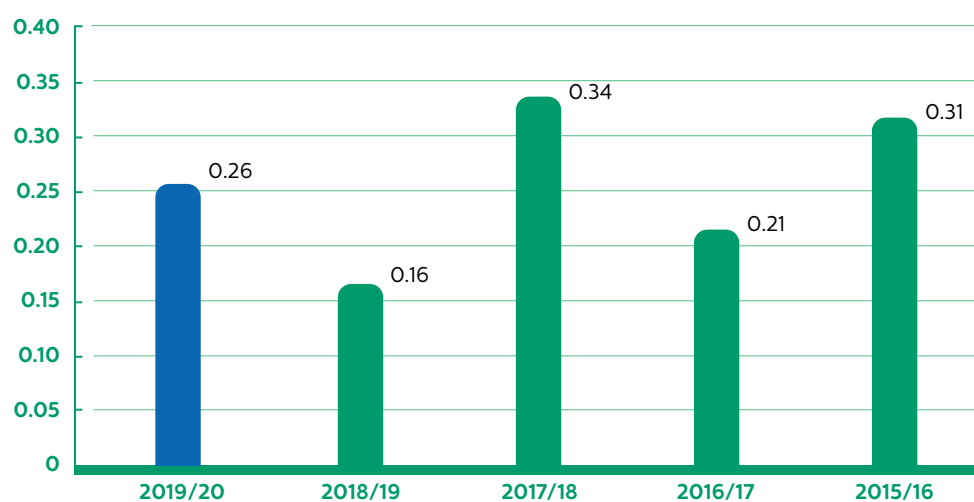
RETURN ON CAPITAL EMPLOYED RATIO



Return on Capital Employed represents a profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed. ROCE has been maintained at 8.93% in FY 2019/20 with the decrement of 23.74% as compared to previous year. Trend of return on capital employed is fluctuating. There is an average decline of 11.93 % in ROCE over the period of last 5 years.

ROCE for FY 2015/16 was 20.36% which has decreased by 56.14% in the time of 5 years reaching 8.93% for FY 2019/20.

DEBT EQUITY RATIO



Debt Equity Ratio represents the bank's financial leverage, calculated by dividing a company's debt and financial liability by its shareholders equity. The debt equity ratio in FY 2019/20 has been increased by 62.50% reaching 0.26 from 0.16 than previous year.

The ratio has been decreased from 0.31 in FY 2015/16 to 0.26 in FY 2019/20 with total turndown of 16.13% in time of 5 years.



07

INFORMATION ABOUT BANK'S SERVICE NETWORKS

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BRANCH LOCATIONS



KATHMANDU

BRANCHES  23

ATMs  34

BLBs  06

LALITPUR

BRANCHES  04

ATMs  06

BLBs  04

BHAKTAPUR

BRANCHES  02

ATMs  03

BLBs  06

PROVINCE 1
 Branches: 13

 ATMs: 10

 BLBs: 14
PROVINCE 2
 Branches: 21

 ATMs: 12

 BLBs: 7
BAGMATI
 Branches: 40

 ATMs: 50

 BLBs: 60
GANDAKI
 Branches: 07

 ATMs: 07

 BLBs: 04
LUMBINI
 Branches: 13

 ATMs: 11

 BLBs: 09
KARNALI
 Branches: 08

 ATMs: 04

 BLBs: 04
SUDUR PASCHIM
 Branches: 07

 ATMs: 05

 BLBs: 06


BRANCH NETWORK

INSIDE VALLEY

BHAISEPATI BRANCH

Bhaisepati Chowk- 25, Lalitpur
01-5592709, 5592764

BHAKTAPUR BRANCH

Durbar Square Area, Khauma- 15, Bhaktapur
01-6612061/654

BOUDDHA BRANCH

Gokarneshwore, Kathmandu- 6
01-4915020, 4915640

CHABAHIL BRANCH

Kumari Building, Mitrapark
01-4481683, 4482391

DILLIBAZAR BRANCH

Batulighar- 30, Kathmandu
01-4430528, 4430838

DURBARMARG BRANCH

Narayanhitipath, Kathmandu- 1
01-4427842/43/24

GWARKO BRANCH

Gwarko- 17, Lalitpur
01-6200342, 5204308

KAPAN BRANCH

Saraswatinagar- 6, Kapan Marg, Kathmandu
01-4822811/812

KALANKI BRANCH

Ganesh Man Singh Marg (Near Kalanki Mandir)
01-5235234, 5234736

KIRTIPUR BRANCH

Naya Bazar- 17, Kirtipur
01-4335556

KOTESHWOR BRANCH

Koteshwor, Kathmandu- 32
01-4601510, 4601501

KULESHWOR BRANCH

Agni Complex- 14, Kathmandu
01-4671214, 4671215

KUMARIPATI BRANCH

Kumaripati, Lalitpur- 20
01-5551020, 5551050, 5551040

KUPONDOLE BRANCH

Kupondole- 10, Lalitpur
01-5010687, 5010784

MAHABOUDHA BRANCH

Wotu Gali- 7, Kathmandu
01-4158536/37/38/39

MAITIDEVI BRANCH

Setopul, Maitidevi, Kathmandu- 30
01-4423537, 4436720

NARAYAN GOPAL CHOWK BRANCH

Narayan Gopal Chowk, Maharajugunj
01-4017591, 4374720

NAYABAZAR BRANCH

V.S. Complex, Sohrakhutte, Kathmandu
01-4388601, 4388607

NEW BANESHWOR BRANCH

Naya Baneshwore- 31, Kathmandu
01-6200341, 4783299

NEW ROAD BRANCH

Khichapokhari, Kathmandu- 22
01-4223979/948/947/1570

SAMAKHUSI BRANCH

Samakhushi-26, Kathmandu
01-4356557, 4357681

THAHITY BRANCH

Thahiti Chowk, Thahiti, Kathmandu- 17
01-4216027/93

THAPATHALI BRANCH

Thapathali-11, Kathmandu
01-4101059, 4101070

THIMI BRANCH

Thimi, Bhaktapur
01-6636534/535

TOKHA BRANCH

Tokha- 3, Kathmandu
01-5110431/32

THANKOT BRANCH

Chandragiri- 10, Kathmandu
01-4311696

OUTSIDE VALLEY

AURAHİ BRANCH

Mahotari, Aurahi- 3
044-411054, 411056

BADHAIYATAAL BRANCH

Mainapokhari- 6, Bardiya
084-401083/4/5

BAGLUNG BRANCH

Baglung- 2
068-522992/93/94

BAJHANG BRANCH

Chainpur-10, Bajhang
092-421377 /78

BANEPA BRANCH

Chandani Chowk- 7, Banepa
011-660967

BANGLACHULI BRANCH

Dang, Banglachuli- 8
9843693807

BARDIBAS BRANCH

Aurahi Road, Bardibas-06, Mahottari
044-550441, 9855031536

BENI BRANCH

New Road- 7, Beni Bazar, Myagdi
069-521019

BHOJPUR BRANCH

Bank road- 7, Bhojpur
029-420729 /19

BHUMAHİ BRANCH

Bhumahi, Nawalparasi
078-415367/68

BHUME BRANCH

Rukum, Bhume RM- 2
9800549212, 9858053339

BIRATNAGAR BRANCH

Dharan Road, Morang, Biratnagar- 8
021-440501/2/3

BIRGUNJ BRANCH

Adarsha Nagar Chowk, Main Road, Birgunj- 11, Parsa
051-520782, 527982, 533699

BIRTAMOD BRANCH

Birtamode Bazar- 5, Birtamod, Jhapa
023-540255 , 544750

BUTWAL BRANCH

Amarpath Line, Butwal
071-540681/2

CHAME BRANCH

Chame- 5, Manang
066-440189/186

CHARİKOT BRANCH

Beech Bazar, Dolakha
049-421926, 421927

CHHAHARA BRANCH

Chahara- 1, Palpa
01-6200343

DAMAK BRANCH

Thana Road- 6, Damak
023-582878/79

DHAKARI BRANCH

Achham, Dhakari RM- 3
9865642266

DHANGADHI BRANCH

Main Road, Dhangadhi- 4
091-527485/6

DHANUSHADHAM BRANCH

Dhanushadham, Dhanusha
041-414070

DHARAN BRANCH

Putali Line-9, Dharan
025-533779/801

DOLPA BRANCH

Dunai Bazar- 3, Dolpa
087-550189/190

GAIGHAT BRANCH

Gaighat Bazar- 11, Udayapur
035-421330/31

GAUSHALA BRANCH

Gaushala- 1, Mahottari
044-556156/57

GHORAHİ BRANCH

New Road- 15, Ghorahi, Dang
082-563307/09

HALDIBARI BRANCH

Mangalbare Chowk- 4, Jhapa
016-201922, 9802201922/23

HARIHARPURGADI BRANCH

Sindhuli, Hariharpurgadi RM- 1
901-6201846

HETAUDA BRANCH

Parijat Path, Hetauda- 4
977-057-527309

ITAHARI BRANCH

Itahari-11, Dharan Road, Itahari
025-580665

JAJARKOT BRANCH

Newroad-3, Jajarkot
089-430175/333

JALESHWAR BRANCH

Mina Bazar, Jaleshwar-04, Mahottari
9854031132

JANAKPUR BRANCH

Bhanu Chowk- 2, Janakpur
041-528581/82

JHIMRUK BRANCH

Pyuthan- 7
016201843 / 9851149485

JUMLA BRANCH

Khalanga Bazar- 5, Jumla
087-520586

KOLHABI BRANCH

Kolhavi- 1, Bara
053-410030

LOHARPATTI BRANCH

Loharpatti-06, Mahottari
9804846994

LIKHU PIKEY BRANCH

Solukhumbhu, Likhupikey- 3
9842802676

MAHENDRANAGAR BRANCH

Mahendranagar Bazar, Kanchanpur
099-520485/6

MAHENDRANAGAR (DHANUSHA) BRANCH

Sakhuwa, Mahendranagar-01, Dhanusha
041-540473, 9851152357

MANAHARI BRANCH

Manahari, Makwanpur
057-414119

MANGSEYBUNG BRANCH

Illam, Manseybung RM- 2
016-201927

MOHANIYAL BRANCH

Kailali, Mohaniyal RM- 4
9848387035

NAMKHA BRANCH

Humla, Namkha RM- 1
9843210573

NARAYANGHAT BRANCH

Narayani Finance Building, Lions Chowk,
Bharatpur, Narayangarh, Chitwan- 3
977-056-527548/586

NEPALGUNJ BRANCH

Dhambouji Chowk, Nepalgunj- 2, Banke
081-527471/2/3

NIJGADH BRANCH

Sahid Tole- 7, Bara
053-540480/81

PATHALAIYA BRANCH

Pathalaiya, Pipra Simra- 1, Bara
053-522189/103

PIPRA BRANCH

Pipra-04, Mahottari
9854032905

POKHARA BRANCH

Nayasadak, Pokhara- 9, Kaski
061-527083/4

RAMGOPALPUR BRANCH

Ramgopalpur-04, Mahottari
044-410071, 9854028347

SABAILA BRANCH

Sabaila-03, Dhanusha
041-401082, 9844104722

SAHIDBHUMI BRANCH

Dhankuta, Sahidbhumi RM- 1
016-201845

SAMSI BRANCH

Samsi-06, Mahottari
9817664364

SANOSHREE BRANCH

Kushumbabazar- 8, Bardiya
084-440376/377

SARKEGHAD BRANCH

Sarkegad, Humla
9848339608

SAMSI BRANCH

Samsi-06, Mahottari
9817664364

SIDDHARTHANAGAR BRANCH

Bank Road- 13, Siddharthanagar
071-521163/64

SIMALCHAUR BRANCH

Kaski, Pokhara- 8
061-522271, 528247

SIMIKOT BRANCH

Suchana Tole, Simkot- 6
087-680206/214

SINDHULI BRANCH

Kamalamai-06, Sindhuli
047-520262

SUNAPATI BRANCH

Ramechhap, Sunnapati RM- 3
9851145676

SURKHET BRANCH

Sunny Hall Line, Surkhet
083-520850/1

TEMAAL BRANCH

Kavre, Temaal RM- 5
01-6201926

VIDYAPATI CHOWK BRANCH

Vidyapati Chowk, Janakpur-4, Dhanusha
9854028341

YADUKUWA BRANCH

Yadukuha-03, Dhanusha
041-410075, 9854028340

ATM LOCATIONS

LOCATION INSIDE VALLEY

CITIZENS ATM TERMINAL	LOCATION
KAMALADI	PRAGYA PRATISTHAN, KAMALADI
BHATBHATENI	BISHALNAGAR, BHATBHATENI SUPERMARKET
DURBARMARG	NARAYANHITI PATH
NARAYANHITI	NARAYANHITI PATH
HIMAL HOSPITAL	THIRBOM SADAK, CHARDOBATO, NAXAL, KATHMANDU
BOUDHA	JORPATI -3, BOUDHA
NEWROAD	PARK PLAZA, KHICHAPOKHARI
KUMARIPATI	KUMARIPATI
GEMS	GEMS SCHOOL, DHAPAKHEL
KOTESHWOR	KOTESHWOR, KATHMANDU
KALANKI	GANESHPAN SINGH MARGA, KALANKI
THAHITI	THAHITI CHOWK
NAYABAZAR	V.S. COMPLEX, SOHRAKHUTTE
MAITIDEVI	SETOPUL, MAITIDEVI
GLOBAL COLLEGE	GLOBAL COLLEGE, MID-BANESHWOR
KIRTIPUR	PANGA DOBATO, NAYABAZAAR, KIRTIPUR
MAHARAJGUNJ	NARAYANGOPAL CHOWK
KAPAN	SARASWATINAGAR, KAPAN MARG
THIMI	MADHYAPUR, THIMI
BHAKTAPUR	DURBAR SQUARE AREA KHAUMA, BHAKTAPUR
SALLAGHARI	SALLAGHARI, ARMY SCHOOL, BHAKTAPUR
KUPONDOLE	KUPONDOLE
PATAN	PATAN DHOKA
SAMAKHUSI	SAMAKHUSI
THAPATHALI	THAPATHALI
DILLIBAZAR	BATULEGHAR, DILLIBAZAR
MAHABOUDHA	WOTU, MAHABOUDHA, KATHMANDU
KULESHWOR	KULESHWOR
STAR HOSPITAL	STAR HOSPITAL, SANIPA, LALITPUR
NEW BANESHWOR	NEW BANESHWOR, WAY TO SANKHAMUL
V.S NIKETAN	NEW BANESHWOR
CHABAHIL	KUMARI BUILDING, CHABAHIL
BHAISEPATI	BHAISEPATI, KATHMANDU
GWARKO	GWARKO, LALITPUR
KIST MEDICAL COLLEGE	KIST MEDICAL COLLEGE, IMADOL MARG, GWARKO, LALITPUR
TOKHA	TOKHA GATE, TOKHA, KATHMANDU
THANKOT	THANKOT, KATHMANDU
SINAMANGAL	SINAMANGAL
KAMALADI -1	KAMALADI

LOCATION OUTSIDE VALLEY

CITIZENS ATM TERMINAL	LOCATION
BIRATNAGAR	RANGELI ROAD, BIRATNAGAR
BIRGUNJ	ADARSHA NAGAR CHOWK, BIRGUNJ
POKHARA	NEW ROAD, POKHARA
LAKESIDE	LAKESIDE, POKHARA

NEPALGUNJ	DHAMBOUJI CHOWK, NEPALGUNJ
NARAYANGADH	NARAYANGHAT, CHITWAN
BUTWAL	AMARPATH LINE, BUTWAL
DHANGADHI	MAINROAD, DHANGADHI
BIRTAMOD	KAKADVITTA ROAD ANARMANI VDC-3, BIRTAMOD
BENI	NEW ROAD 1, BENI BAZAR
GHORAH	NEW ROAD -11, GHORAH
GAIGHAT	GAIGHAT, UDAYAPUR
GAIGHAT	SHREE 18 NO BAHINI ARMY ADDA, BHULKE, GAIGHAT
MAHENDRANGAR	BHEEMDATTA MUNICIPALITY 4, MAHENDRANAGAR
PATHALAIYA	PATHALAIYA, BARA
SIMIKOT	SIMIKOT-2, MATHILO BAZAR, HUMLA
CHARIKOT	BEECH BAZAR, CHARIKOT
ITAHARI	DHARAN ROAD, ITAHARI, SUNSARI
JANAKPUR	BHANUCHOWK, JANAKPUR
SURKHET	SUNNY HALL LINE, SURKHET
HETAUDA	PARIJAT PATH, HETAUDA
JUMLA	CHANDANNATH VDC-07, JUMLA
JAJARKOT	KHALANGAWA BAZAR, JAJARKOT
SIDDHARTHANAGAR	BANK ROAD SIDDHARTHANAGAR, BHAIRAHAWA
KOLHABI	KOLHABI, BARA
BANEP	BANEP, KAVRE
BAGLUNG	DHAULAGIRI ZONAL HOSPITAL, BAGLUNG
NIJGADH	NIJGADH
BAJHANG	CHAINPUR
SANOSHREE	SANOSHREE-03, KUSUMBA BAZAR
DHARAN	PUTALI LINE, DHARAN
GAUSALA	GAUSALA, MAHOTTARI
DAMAK	THANA ROAD, DAMAK
BARDIBAS	BARDIBAS, MAHOTTARI
CHHAHARA	CHHAHARA BAZAAR, CHHAHARA, PALPA
BHUMAH	BHUMAH CHOWK, SUNWAL, BHUMAH
MANAHARI	MANAHARI RURAL MUNICIPALITY-7, MAKWANPUR
HALDIBARI	MANGALBARE CHOWK, HALDIBARI, JHAPA
BADHAIYATAAL	BADHAIYATAAL-06, BARDIYA
AAURAH	AURAH BAZAR, MAHOTTARI
SIMALCHAUR	SIMALCHAUR, POKHARA
KOHALPUR	KOHALPUR-11, BANKE
LAMBAGAR	TARKESHWOR-08, LAMBAGAR
TANDI	JYOTI HALL ROAD, BAKULAR TANDI
BHOTEWODAR	BHOTEWODAR, DHARAPANI
JITPUR	JITPUR-4, KAPILVASTU
DEVIGHAT	DEVIGHAT, NUWAKOT
SUKHAD	BHAJANI ROAD, SUKHAD
ATTARIYA	ATTARIYA, MAHENDRANAGAR ROAD
HOSPITAL CWK (PKH)	HOSPITAL CHOWK, POKHARA
KANCHANBARI	KANCHANBARI
MAHENDRANAGAR DHANUSHA	MAHENDRANAGAR

REMITTANCE PARTNER NETWORKS

SN	INTERNATIONAL BUSINESS PARTNERS	BUSINESS COUNTRY
1	Axis Bank Ltd, India	India
2	Doha Bank, Qatar	Qatar
3	Dollarco Exchange Company Limited, Kuwait	Kuwait
4	Redha Al Ansari Exchange, UAE	UAE
5	Alfa Exchange, UAE	UAE
6	Al Ansari Exchange, UAE (Cash Express)	UAE
7	Al Dahab Exchange, UAE	UAE
8	Al Ahalia Money Exchange Bureau, UAE	UAE
9	Casco Financial Services Limited, UK	UK
10	World Remit Limited, UK	Worldwide
11	D Com Money Express, Japan	Japan
12	Aussie Forex Pty Ltd, Australia	Australia
13	Aftab Currency Exchange, UK	UK
14	Supersonicz Ltd, UK	UK
15	Small World Financial Services, UK	Europe
16	Xpress Money Services, UK	Worldwide
17	Atl Money Transfer (Agpaytech Ltd), UK	Europe
18	Placid Nk Corporations, USA	Malaysia & USA
19	Hamro Remit	Australia
20	Royal Investment Group	Australia
21	Lumbini Group	Australia
22	Overseas Remit	USA, UK

S.N	LOCAL PARTNER
1	Batas Associates Pvt. Ltd.
2	Bhatbhateni Money Transfer Pvt. Ltd.
3	C.G Finco
4	C.G Remit Pvt. Ltd.
5	Cash Way Money Transfer Pvt. Ltd.
6	City Express Money Transfer
7	Easy Link Remittance
8	GME Remit Pvt. Ltd.
9	IME Ltd.
10	Ipay Reliable Remittance Pvt. Ltd.
11	JME Remit Pvt. Ltd.
12	Mukthinath Bikas Bank Ltd.
13	Nepal Investment Bank Ltd.

S.N	LOCAL PARTNER
14	Nepal Remit International Pvt. Ltd.
15	Overseas Remit Pvt. Ltd.
16	Panos Remit Pvt. Ltd.
17	Prabhu Money Transfer
18	Ramro Remit
19	Remit To Nepal Pvt. Ltd.
20	Samsara Remit
21	Sewa Remit Pvt. Ltd.
22	United Remit Pvt. Ltd.
23	Esewa Remit
24	Janata Remit
25	Boom
26	Max Money Nepal

BRANCHLESS BANKING LOCATIONS (BLB)

SN	BRANCH NAME	BLB LOCATED DISTRICT	BLB LOCATED VDC/MUNICIPALITY
1	Biratnagar Branch	Morang	Dhanapalthan Rural Municipality
2	Biratnagar Branch	Morang	Budhiganga Rural Municipality
3	Biratnagar Branch	Morang	Katahari Rural Municipality
4	Pokhara Branch	Kaski	Pokhara Lekhnath Metropolitan City
5	Nepalgunj Branch	Bardiya	Badhaiyatal Rural Municipality
6	Nepalgunj Branch	Bardiya	Badhaiyatal Rural Municipality
7	Nepalgunj Branch	Bardiya	Badhaiyatal Rural Municipality
8	Nepalgunj Branch	Banke	Rapti Sonari Rural Municipality
9	Narayanghat Branch	Chitwan	Bharatpur Metropolitan City
10	Narayanghat Branch	Chitwan	Bharatpur Metropolitan City
11	Kalanki Branch	Kathmandu	Nagarjun Municipality
12	Butwal Branch	Rupandehi	Sainamaina Municipality
13	Butwal Branch	Rupandehi	Devdaha Municipality
14	Dhangadhi Branch	Kailali	Godawari Municipality
15	Dhangadhi Branch	Kailali	Ghodaghodi Municipality
16	Dhangadhi Branch	Kailali	Patam Municipality
17	Nayabazar Branch	Kathmandu	Tarakeshwar Municipality
18	Nayabazar Branch	Kathmandu	Tarakeshwar Municipality
19	Birtamod Branch	Jhapa	Gauriganj Rural Municipality
20	Birtamod Branch	Jhapa	Buddhashanti Rural Municipality
21	Birtamod Branch	Jhapa	Arjundhara Municipality
22	Birtamod Branch	Jhapa	Shivasatakshi Municipality
23	Ghorahi Branch	Dang	Tulsipur Sub-Metropolitan City
24	Gaighat Branch	Udayapur	Chaundadigadi
25	Gaighat Branch	Udayapur	Katari Municipality
26	Kirtipur Branch	Kathmandu	Kirtipur Municipality
27	Kirtipur Branch	Kathmandu	Kirtipur Municipality
28	Mahendranagar Branch	Kanchanpur	Beldandi Rural Municipality
29	Mahendranagar Branch	Kanchanpur	Bhimdatta Municipality
30	Mahendranagar Branch	Kanchanpur	Bhimdatta Municipality
31	Tokha Branch	Kathmandu	Mahankal Rural Municipality
32	Pathlaiya Branch	Bara	Jitpur Simara Sub-Metropolitan City
33	Charikot Branch	Dolkha	Baitedhar Rural Municipality
34	Charikot Branch	Dolkha	Baitedhar Rural Municipality
35	Charikot Branch	Dolkha	Bhimeshwar Municipality
36	Charikot Branch	Dolkha	Tamakoshi Rural Municipality
37	Charikot Branch	Dolkha	Sailung Rural Municipality
38	Charikot Branch	Dolkha	Bhimeshwar Municipality
39	Charikot Branch	Dolkha	Sailung Rural Municipality
40	Dharan	Sunsari	Baraha Municipality
41	Itahari Branch	Sunsari	Itahari Sub-Metropolitan City
42	Itahari Branch	Sunsari	Itahari Sub-Metropolitan City
43	Bhaktapur Branch	Bhaktapur	Surya Binayak Municipality
44	Bhaktapur Branch	Bhaktapur	ChanguNarayan Municipality
45	Bhaktapur Branch	Bhaktapur	Banepa Municipality
46	Bhaktapur Branch	Bhaktapur	Changu Narayan Municipality
47	Bhaktapur Branch	Bhaktapur	Changu Narayan Municipality
48	Bhaktapur Branch	Bhaktapur	Changu Narayan Municipality

49	Janakpur Branch	Mahottari	Matihani Municipality
50	Janakpur Branch	Mahottari	Laxminiya Rural Municipality
51	Patan Branch	Lalitpur	Godawari Municipality
52	Patan Branch	Lalitpur	Mahalaxmi Municipality
53	Patan Branch	Lalitpur	Lalitpur Metropolitan City
54	Surkhet Branch	Surkhet	Bheriganga Municipality
55	Surkhet Branch	Surkhet	Gurbhakot Municipality
56	Surkhet Branch	Surkhet	Panchapuri Municipality
57	Gaushala Branch	Mahottari	Aurahi Rural Municipality, Dhanusa
58	Gaushala Branch	Mahottari	Ram Gopalpur Municipality
59	Baglung Branch	Baglung	Galkot Rural Municipality
60	Baglung Branch	Baglung	Kanthekhola Rural Municipality
61	Dolpa	Dolpa	Thulibheri Municipality
62	Samakhushi	Nuwakot	Kakani Rural Municipality
63	Samakhushi	Nuwakot	Kakani Rural Municipality
64	Samakhushi	Nuwakot	Bidur Municipality
65	Samakhushi	Nuwakot	Bidur Municipality
66	Samakhushi	Nuwakot	Likhu Rural Municipality
67	Samakhushi	Nuwakot	Bidur Municipality
68	Samakhushi	Nuwakot	Dupcheshwor Rural Municipality
69	Samakhushi	Nuwakot	Tadi Rural Municipality
70	Samakhushi	Nuwakot	Kispang Rural Municipality
71	Samakhushi	Nuwakot	Bidur Municipality
72	Samakhushi	Nuwakot	Tarkeshwor Municipality
73	Samakhushi	Nuwakot	Meghang Rural Municipality
74	Samakhushi	Nuwakot	Bidur Municipality
75	Samakhushi	Nuwakot	Kispang Rural Municipality
76	Samakhushi	Nuwakot	Bidur Municipality
77	Samakhushi	Nuwakot	Belkotgadhi Municipality
78	Samakhushi	Nuwakot	Likhu Rural Municipality
79	Samakhushi	Nuwakot	Suryagadhi Rural Municipality
80	Samakhushi	Nuwakot	Likhu Rural Municipality
81	Samakhushi	Nuwakot	Dupcheshwor Rural Municipality
82	Samakhushi	Nuwakot	Tadi Rural Municipality
83	Samakhushi	Nuwakot	Tadi Rural Municipality
84	Samakhushi	Nuwakot	Tadi Rural Municipality
85	Samakhushi	Nuwakot	Suryagadhi Rural Municipality
86	Samakhushi	Nuwakot	Tarkeshwor Municipality
87	Samakhushi	Nuwakot	Dupcheshwor Rural Municipality
88	Samakhushi	Nuwakot	Panchakanya Rural Municipality
89	Samakhushi	Nuwakot	Shivapuri Rural Municipality
90	Samakhushi	Nuwakot	Belkotgadhi Municipality
91	Samakhushi	Nuwakot	Belkotgadhi Municipality
92	Samakhushi	Nuwakot	Tarkeshwor Municipality
93	Samakhushi	Nuwakot	Panchakanya Rural Municipality
94	Bhaisepati	Lalitpur	Lalitpur Metropolitan City
95	Nepalgunj Branch	Bardiya	Badhaiyatal Rural Municipality
96	Itahari Branch	Sunsari	Inaruwa Municipality
97	Ghorahi Branch	Dang	Gadhawa Rural Municipality
98	Samakhushi	Rasuwa	Uttargaya Rural Municipality
99	Samakhushi	Nuwakot	Tadi Rural Municipality
100	Beni Branch	Myagdi	Dhawalagiri Rural Municipality
101	Kolhabi Branch	Rautahat	Phatuwa Bijayapur

102	Banepa Branch	Sindhuli	Sunkoshi Rural Municipality
103	Bhojpur Branch	Bhojpur	Bhojpur Municipality
104	Kolhabi Branch	Rautahat	Fatuwa Bijaypur Municipality

CORRESPONDENT BANKS

FOREIGN BANKS

STANDARD CHARTERED BANK

KOLKATA 19, NS ROAD G/F KOLKATA, WEST
BENGAL, INDIA

Nostro Account No. : 22205350212

SWIFT Code: SCBLINBBXXX

HDFC BANK

SENAPATI BAPAT MARG MUMBAI, INDIA

Nostro Account No. : 00600390000544

SWIFT Code: HDFCINBBXXX

STANDARD CHARTERED BANK

1095, 6TH AVENUE #37 NEW YORK, NY 10036, USA

Nostro Account No. : 3582021189001

SWIFT Code: SCBLUS33XXX

MASHREQ BANK

255, 5TH AVENUE NEW YORK, NY 10016, USA

Nostro Account No. : 70008505

SWIFT Code: MSHQUS33XXX

KB KOOKMIN BANK

#9-1 NAMDAEMUNRO 2-GA,

JUNG-GU SEOUL, SOUTH KOREA

Nostro Account No. : 8258USD010

SWIFT Code: CZNBRKSEXXX

STANDARD CHARTERED BANK

LONDON EC2V 7SB LONDON, UNITED KINGDOM

Nostro Account No. : 0001255115201

SWIFT Code: SCBLGB2L

STANDARD CHARTERED BANK

B0486 FRANKFURT AM MAIN GERMANY

Nostro Account No. : 50006503

SWIFT Code: SCBLDEFX

STANDARD CHARTERED BANK

PLOT#1 SHAHAJALAL AVE DHAKA 1230, BANGLADESH

Nostro Account No. : 15 1111678 01

SWIFT Code: SCBLBDDXXX

STANDARD CHARTERED BANK

2 CHOME-11-1 NAGATACHO,

CHIYODA TOKYO 100-0014, JAPAN

Nostro Account No. : 23760321110

SWIFT Code: SCBLJPJTXXX

STATE BANK OF INDIA

AUSTRALIA SQUARE, LEVEL 31, SUITE 02 264, GEORGE STREET

SYDNEY NSW 2000

Nostro Account No. : 30113019220001

SWIFT Code: SBINAU2S

AXIS BANK

Axis House | Corporate Office| 8th Floor | C-2 Wadia International
Centre | P.B Marg | Worli | Mumbai 400025

Nostro Account No. : 918020048434038

SWIFT Code: AXISINBBFIC (For all the payments (MT 103 & MT
202) and related queries)

AXISINBBTFC (For all the LCs and Guarantees (MT 760 / MT 700)
and related queries)

DOHA BANK INDIA

Sakhar Bhavan, Ground Floor, Plot No 230, Block No III, Backbay
Reclamation, Nariman Point, Mumbai - 400 021, Maharashtra
State, India

Nostro Account No. : 0602300010000295

SWIFT Code: DOHBINBB

MASHREQ BANK

Mashreq Bank Headquarters , Plot No. 345, Umniyati Street (o Al
Asayel Street)Burj Khalifa Community

PO Box 1250, Dubai, UAE

Nostro Account No. : 019030000543

SWIFT Code: BOMLAEAD

LOCAL BANKS

MACHHAPUCHRE BANK

Lazimpat, Kathmandu
Account No. : 160 15240 399780 43
SWIFT Code: MBLNNPKA

NEPAL INVESTMENT BANK

Durbarmarg, Kathmandu
Account No. : 00101010285513
SWIFT Code: NIBLNPKT

NEPAL INVESTMENT BANK

Durbarmarg, Kathmandu
Account No. : 00101010058663
SWIFT Code: NIBLNPKT

NEPAL INVESTMENT BANK

Durbarmarg, Kathmandu
Account No. : 01201020258180
SWIFT Code: NIBLNPKT

SUNRISE BANK

Gairidhara, Kathmandu
Account No. : 00210091852017
SWIFT Code: SRBLNPKA

SUNRISE BANK

Gairidhara, Kathmandu
Account No. : 00210283686021
SWIFT Code: SRBLNPKA

SUNRISE BANK

Gairidhara, Kathmandu
Account No. : 00210283686013
SWIFT Code: SRBLNPKA

NCC BANK

Bagbazar, Kathmandu
Account No. : 003000215791C
SWIFT Code: NBOCNPKA

GLOBAL IME BANK

Kantipath, Kathmandu
Account No. : 0101010005272
SWIFT Code: GLBBNPKA

KUMARI BANK

Putalisadak, Kathmandu
Account No. : 0141524030680017
SWIFT Code: KMBLNPKA

HIMALAYAN BANK

Kamaladi, Kathmandu
Account No. : 001 0154689 0032
SWIFT Code: HIMANPKA

EVEREST BANK

New Baneshwor, Kathmandu
Account No. : 00100105001270
SWIFT Code: EVBLNPKA

NABIL BANK

Durbarmarg, Kathmandu
Account No. : 1701017500202
SWIFT Code: NARBNPKA

SIDDHARTHA BANK

Hattisar, Kathmandu
Account No. : 00115490432
SWIFT Code: SIDDNPKA

SIDDHARTHA BANK

Hattisar, Kathmandu
Account No. : 115490446
SWIFT Code: SIDDNPKA

RASTRIYA BANIJYA BANK LTD.

Jaleswor
Account No. : 127000239701
SWIFT Code: RBBANPKA

NEPAL INVESTMENT BANK

Janakpur
Account No. : 01401040253543
SWIFT Code: NIBLNPKT



Narayanhiti Path, Kathmandu-44600

Phone: 01-4427842/43/24

Toll Free: 16600166667

FAX: 01-4427044

info@ctznbank.com

www.ctznbank.com